

Principal Financial Advisors, Inc.

801 Grand Avenue, Des Moines, Iowa 50309

800-322-5447, ext. 2

March 1, 2019

This Brochure provides information about the qualifications and business practices of Principal Financial Advisors, Inc. ("PFA"). If you have any questions about the contents of this Brochure, please contact us at 800-322-5447, ext. 2. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

PFA is a registered investment adviser. While registration is required under the law, registration of an investment adviser does not imply any level of skill or training.

Additional information about PFA is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Item (Material Changes) will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

Material changes made to this version of the Brochure include:

- This Brochure, dated March 2019, contains material changes since it was last updated in March 2018. PFA now offers plan sponsors assistance with constructing a Liability Driven Investing (“LDI”) asset allocation strategy either on an ongoing or one-time basis. The LDI asset allocation strategy will attempt to closely align the duration of the retirement plan’s fixed income assets with the duration of the plan’s liabilities. PFA also has an agreement with Principal Life Insurance Company (“Principal Life”) to provide them with three cash balance defined benefit retirement plan model portfolios.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. Our fiscal year-end is December 31st. We can provide other ongoing disclosure information about material changes as necessary throughout the year.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure can be requested free of charge by contacting your advisory associate at 800-322-5447, ext. 2.

Item 3 -Table of Contents

Item 2 – Material Changes	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	6
Item 6 – Performance-Based Fees and Side-By-Side Management.....	8
Item 7 – Types of Clients.....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9 – Disciplinary Information.....	10
Item 10 – Other Financial Industry Activities and Affiliations	10
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Item 12 – Brokerage Practices	13
Item 13 – Review of Accounts	13
Item 14 – Client Referrals and Other Compensation.....	15
Item 15 – Custody.....	15
Item 16 – Investment Discretion.....	15
Item 17 – Voting Client Securities	15
Item 18 – Financial Information.....	15

Item 4 – Advisory Business

I. Introduction

PFA is federally registered with the SEC as an investment adviser. PFA began its operation in May 1987, and is headquartered in Des Moines, Iowa. PFA is a member company of the Principal Financial Group, a family of financial services companies offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement, asset management and insurance, through its diverse family of financial services companies.

PFA is a wholly owned subsidiary of Principal Global Investors Holding Company (US), LLC which is a wholly owned subsidiary of Principal Financial Services, Inc. (“PFSI”). PFSI is a wholly owned subsidiary of Principal Financial Group, Inc. (NASDAQ: PFG).

1) Asset Allocation Service

PFA provides asset allocation advice and other investment advisory services to qualified retirement plans funded with group annuity contracts purchased from Principal Life Insurance Company (“Principal Life”). PFA clients are all contract holders of group variable annuity contracts issued by Principal Life. PFA’s clients, as annuity contract holders, have the option to invest in various separate accounts established by Principal Life. To assist PFA in determining an appropriate asset allocation for a retirement plan client, plan sponsors who are focused on a total-return strategy are encouraged to complete a risk tolerance questionnaire. The questionnaire is used to identify the goals of the plan sponsor and assess the level of risk they are comfortable with. For clients who wish to adopt a Liability-Driven Investing strategy, PFA will utilize outputs provided by the client’s actuary in determining an asset allocation strategy. Clients are responsible for informing PFA of any legal, regulatory, or contractual investment restrictions that apply to the plan. PFA’s analysis leads to an allocation which is then combined with the plan sponsors’ goals and risk level from the questionnaire to determine the most appropriate allocation for the plan. The analysis and questionnaire are then discussed with the plan sponsor prior to implementing the final allocation.

2) Management of Separate Account

PFA manages a separate account established and maintained by Principal Life. The account is an index separate account, the Principal Total Market Stock Index Separate Account.

The portfolio of the separate account consists primarily of units in other separate accounts established and maintained by Principal Life for use in connection with group annuity contracts sold to qualified retirement plans or plans treated as such. PFA provides advice to Principal Life concerning the asset allocation decisions made within the group annuity separate account.

3) Fixed Fee Asset Allocation Strategy

PFA provides a one-time asset allocation recommendation for clients interested in a point-in-time strategy. The asset allocation strategy incorporates the risk and goals of the client based on a questionnaire and some plan information around the emerging liabilities. PFA is not responsible for the implementation or on-going monitoring of the strategy. The client can choose to implement or not implement the asset allocation recommendation provided.

4) Liability Driven Investing (LDI) Asset Allocation Strategy

PFA provides a LDI asset allocation recommendation for clients interested in a LDI strategy. The LDI asset allocation strategy will attempt to closely align the duration of the retirement plan's fixed income assets with the duration of the plan's liabilities. PFA will work with the retirement plan's actuary to obtain information regarding the cash flows and liabilities of the plan to establish the LDI asset allocation strategy. PFA will update the LDI asset allocation strategy on an annual basis for clients that have purchased a group annuity contract from Principal Life. PFA does not have discretion for the plan assets. Therefore, PFA is not responsible for implementing the LDI strategy, determining what percentage of plan assets to allocate to the LDI strategy or selecting the specific investment options for the plan. The client can choose to implement or not implement the LDI asset allocation strategy.

5) One-time Liability Driven Investing (LDI) Asset Allocation Strategy

PFA provides a one-time LDI asset allocation recommendation for clients interested in a point-in-time LDI strategy. The LDI asset allocation strategy will attempt to closely align the duration of the retirement plan's fixed income assets with the duration of the plan's liabilities. PFA will work with the retirement plan's actuary to obtain information regarding the cash flows and liabilities of the plan to establish the LDI asset allocation strategy. PFA does not have discretion for the plan assets. Therefore, PFA is not responsible for implementing the LDI strategy, determining what percentage of plan assets to allocate to the LDI strategy or selecting the specific investment options for the plan. The client can choose to implement or not implement the LDI asset allocation strategy.

6) Cash Balance Model Portfolios

PFA provides Principal Life with three model portfolios for cash balance defined benefit retirement plans. The model portfolios are intended to be used by Principal Life retirement plan clients funding a cash balance plan with a group annuity contract purchased from Principal Life. As annuity contract holders, Principal Life's clients have the option to invest in various separate accounts established by Principal Life. When constructing the model portfolios PFA selects from the separate accounts available to Principal Life's clients through the group annuity contract. The client can choose to implement or not implement one of the model portfolios.

As of 12/31/2018, discretionary assets under management are \$7,637,331,741.

Item 5 – Fees and Compensation

1) Asset Allocation Service

The standard quarterly investment advisory fee is calculated by multiplying the Ending Balance by the Annual Basis Point Fee divided by four. Ending Balance means the total funds invested in Principal Life separate accounts under the group annuity contract at the end of each calendar year quarter. The Basis Point Fee for a calendar year quarter is determined using total funds invested in Principal Life separate accounts under the group annuity contract as of the last day of the calendar quarter. If these total funds are:

Total Funds	Basis Point Fee
\$ 0 - \$5,000,000	10.0 bps. (min \$5,000)
Next \$5,000,000	7.0 bps
Next \$15,000,000	4.0 bps.
Next \$25,000,000	3.5 bps.
Next \$50,000,000	2.5 bps.
Next \$100 million and over	2.0 bps.

The advisory fee in the inception quarter, and upon termination, is charged on a prorated basis to reflect the number of days in the quarter the funds are invested.

Expenses can be negotiated based on the size of the plan, the amount of services needed or if the customer has more than one contract with Principal Life. Certain contracts and the service agreements related thereto use average balance over a period rather than assets at the end of the period as long as such agreements remain in effect and are not superseded. PFA has the right to revise the future charge for investment advisory services upon 60 days

written notice. PFA shall not at any time be compensated on the basis of a share of capital gains upon or capital appreciation of the funds of the client.

PFA allocates client assets among separate accounts available within group annuity contracts its clients purchase from Principal Life. PFA clients pay fees in connection with PFA's investment advisory services. Those investment advisory fees are in addition to any fees related to the management of the individual Principal Life separate accounts. PFA's fees are either deducted from the value of the group annuity contract or paid directly by the client. If a client chooses to have PFA's investment advisory fees deducted from the value of their group annuity contract, the tax deferral benefits of the group annuity contract could be diminished.

2) Management of Separate Account

Principal Life is not charged a fee for this service, since the two entities are related. However, a fee could be charged at some future date.

3) Fixed Fee Asset Allocation Strategy

The standard fixed fee asset allocation strategy fee is \$2,500; however, expenses could be negotiated based on the size of the plan, the amount of services needed or if the customer has more than one contract with Principal Life. If the client wants PFA to provide another fixed fee asset allocation strategy at a future point-in-time, the client will sign a new agreement with PFA and pay another fee.

4) Liability Driven Investing (LDI) Asset Allocation Strategy

The LDI asset allocation strategy fee is \$1,500 per year. The fee will be collected by Principal Life and paid to PFA after the updated LDI asset allocation strategy has been provided to the client each year.

5) One-time Liability Driven Investing (LDI) Asset Allocation Strategy

The one-time LDI asset allocation strategy fee is \$1,500. The client will be billed for the service once the LDI asset allocation strategy has been provided. If the client wants PFA to provide another one-time LDI asset allocation strategy at a future point-in-time, the client will sign a new agreement with PFA and pay another fee.

6) Cash Balance Model Portfolios

PFA charges Principal Life \$65,000 annually to create and monitor the three model portfolios.

Item 6 – Performance-Based Fees and Side-By-Side Management

PFA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

PFA provides asset allocation advice and other investment advisory services to qualified retirement plans funded with group annuity contracts purchased from Principal Life. PFA also manages the Principal Total Market Stock Index Separate Account established and maintained by Principal Life for qualified retirement plan funding or plans treated as such. The portfolio of the separate account consists primarily of units in other separate accounts established and maintained by Principal Life. PFA provides advice to Principal Life concerning the asset allocation decisions made within the separate account. PFA also creates and monitors three model portfolios for Principal Life.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Advisory services offered or recommended by PFA are subject to risks associated with investing in group annuity separate accounts and will not always be profitable. PFA does not guarantee the results of any advice or recommendations, nor does it guarantee that the investment objectives of Advisory Clients will be met in any service it provides or offers. Investing in group annuity separate accounts involves risk of loss that clients should be prepared to bear.

The primary focus is on analyzing future long-term return potential of major investment classes using fundamental analysis. PFA utilizes a long-term strategic outlook when examining asset classes, investment options and their expected performance. When providing investment advisory services, PFA uses historical performance, forward looking forecasting tools, and analysis of current trends in the investment industry. It also utilizes portfolio optimization models that evaluate investment portfolio risks, returns and how they correlate with each other.

1) Asset Allocation Service

PFA offers asset allocation services that utilize a long-term, strategic outlook toward investment markets and builds efficient, well-diversified portfolios for clients. The investment market outlook utilizes both historical-based and forward-looking return forecasts to establish future return expectations for various asset classes. These various

asset classes are then combined and optimized into an array of efficient portfolios with distinct risk and return characteristics. PFA's asset allocation team regularly reviews the process used to develop its investment market outlook and the portfolios developed for its asset allocation strategies.

PFA implements the core asset allocation strategy based on information provided by a client's actuary and a questionnaire covering the goals and objectives of the client. Based upon that information, PFA selects specific separate accounts offered under Principal Life's qualified retirement plan products and seeks to optimize a multiple manager investment strategy in order to maximize a client's return with an appropriate amount of risk. Other investment advisory services provided might include: reviewing or helping draft a client's investment policy statement, reviewing and monitoring the on-going performance of the portfolios, developing customized rebalancing strategies, and allocating deposits and transfers. It is anticipated that the average number of clients assigned per investment analyst would range between 125 and 175.

2) Management of Separate Account

The portfolio of the Principal Total Market Stock Index Separate Account consists primarily of units in other separate accounts established and maintained by Principal Life for use in connection with group annuity contracts sold to qualified retirement plans. For this separate account, PFA attempts to mirror the investment performance of the S&P Composite 1500 Index by allocating assets in the appropriate weightings in the separate accounts which attempt to match the performance of the S&P 500, 600, and 400 indices.

3) Fixed Fee Asset Allocation Strategy

The asset allocation strategy incorporates the risk and goals of the client based on a questionnaire and information concerning the plan's emerging liabilities. PFA is not responsible for the implementation or on-going monitoring of the strategy. The client can choose to implement or not implement the asset allocation recommendation provided.

4) Liability Driven Investing (LDI) Asset Allocation Strategy

The LDI asset allocation strategy incorporates the cash flows and liabilities of the retirement plan along with the duration of the LDI Separate Accounts that are made available through the group annuity contract of Principal Life to closely align the duration of the plan's fixed income assets with the duration of the plan's liabilities. PFA is not responsible for the implementation of the strategy. The client can choose to implement or not implement the asset allocation recommendation provided.

5) One-time Liability Driven Investing (LDI) Asset Allocation Strategy

The LDI asset allocation strategy incorporates the cash flows and liabilities of the retirement plan along with the duration of the LDI Separate Accounts that are made available through the group annuity contract of Principal Life to closely align the duration of the plan's fixed income assets with the duration of the plan's liabilities. PFA is not responsible for the implementation or on-going monitoring of the strategy. The client can choose to implement or not implement the asset allocation recommendation provided.

6) Cash Balance Model Portfolios

The cash balance model portfolios have been created not to guarantee a specific return but to seek to align with the interest crediting rates typically used within cash balance plans. PFA offers asset allocation services that utilize a long-term, strategic outlook toward investment markets and seeks to build efficient, well-diversified portfolios. The investment market outlook utilizes both historical-based and forward-looking return forecasts to establish future return expectations for various asset classes. The various asset classes are then combined to create portfolios with distinct risk and return characteristics.

Item 9 – Disciplinary Information

No information is applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

PFA is under common control with Principal Funds Distributor, Inc., a broker/dealer. Principal Funds Distributor, Inc. is the principal underwriter for an investment company, Principal Funds, Inc.

Principal Global Investors, LLC, ("PGI") an investment adviser registered with the Securities and Exchange Commission is under common control with PFA. PGI, in general, offers services in managing client funds invested in equities and debt securities. PFA shares investment and compliance information with PGI. On occasion, PFA will utilize personnel or other resources of PGI to assist PFA in the performance of investment advisory services. PFA and PGI have other common directors and officers.

The principal business of PFA is that of an investment adviser. The executive officers of PFA are also employees of Principal Life. They spend approximately 5 – 15% of their time on PFA business and 85 - 95% of their time on Principal Life business.

PFA has a material arrangement with Principal Life. In addition to managing the Principal Total Market Stock Index Separate Account of Principal Life, all of PFA's clients are contract holders of one or more Principal Life group annuity contracts.

PFA might at any time control a significant share of the funds invested in one or more of the separate accounts available as an investment option under a Principal Life group annuity contract. If PFA controls a significant share of the funds invested in one separate account, a change in PFA's asset allocation strategy could reduce the liquidity of that account. Under the group annuity contracts, Principal Life has the ability to delay transfers and withdrawals from the separate accounts. Therefore, a reduction in liquidity could limit the ability of both PFA's clients and non-clients to transfer or withdraw funds from particular separate accounts.

PFA's asset allocation decisions can have a financial impact on Principal Life and affiliated investment advisers. Depending upon the decision, the financial impact could be positive or negative. Because PFA acts as a fiduciary with respect to its client's plans, it endeavors not to give undue consideration to the impact that its decisions might have on Principal Life, affiliated investment advisers, and Principal Life customers that are not PFA clients.

In order to limit the appearance of conflicts of interest and the opportunity for events that could trigger an actual conflict of interest, PFA will do the following:

- 1) Continue to maintain a documented, systematic methodology that does not consider impact to affiliates to determine which Principal Life separate accounts to recommend to its clients;
- 2) Remind its asset allocation team before each quarterly meeting of its inherent conflicts of interest, and its duties of loyalty and care as a fiduciary;
- 3) Provide training that reminds its board of directors and asset allocation team of PFA's inherent conflicts of interest, and its duties of loyalty and care as a fiduciary;
- 4) Disclose on Form ADV Part 2A PFA's inherent conflicts of interest, and its duties of loyalty and care as a fiduciary; and
- 5) Make documented recusal procedures available to its officers and directors when faced with a potential conflict of interest regarding an issue.

Principal Life's, or an affiliated company's profits could vary depending upon the underlying separate accounts in which PFA invests.

1) Asset Allocation Service

PFA's investment advisory services are designed for use primarily with the group annuity contracts offered by Principal Life to qualified retirement plans. The relationship between PFA and Principal Life will be fully disclosed.

2) Management of Separate Account

Principal Life is aware of its relationship with PFA. PFA understands that disclosure of PFA's role in the asset allocation decisions for the Principal Total Market Stock Index Separate Account will be included in Principal Life materials and brochures.

3) Fixed Fee Asset Allocation Strategy

PFA provides a one-time asset allocation recommendation for clients interested in a point-in-time strategy. PFA does not have on-going advisory responsibility for the client's asset allocation strategy. Any implementation is the responsibility of the client.

4) Liability Driven Investing (LDI) Asset Allocation Strategy

The LDI asset allocation strategy is designed for use with the LDI Separate Accounts that are made available through the group annuity contract of Principal Life. PFA does not have on-going advisory responsibility for the client's LDI asset allocation strategy. Any implementation is the responsibility of the client.

5) One-time Liability Driven Investing (LDI) Asset Allocation Strategy

The LDI asset allocation strategy is designed for use with the LDI Separate Accounts that are made available through the group annuity contract of Principal Life. PFA does not have on-going advisory responsibility for the client's LDI asset allocation strategy. Any implementation is the responsibility of the client.

6) Cash Balance Model Portfolios

The cash balance model portfolios are designed for use with the group annuity contract offered by Principal Life to qualified retirement plans. The relationship between PFA and Principal Life will be fully disclosed. PFA understands that disclosure of PFA's role in constructing the model portfolios will be included in Principal Life materials and brochures. Any implementation is the responsibility of the client.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

PFA has adopted a Code of Ethics (Code). The principal purposes of the Code are to provide policies consistent with applicable laws and regulations and to prevent conflicts of interests or the appearance of such conflicts when PFA officers, directors, employees and certain non-employees of PFA with access to client and trading information of PFA (Access Persons) own or engage in their own personal transactions involving securities. All Access Persons are required to certify annually that they have read, understood and complied with

the Code. This includes that they have complied with the requirements and disclosed or reported all personal reportable covered personal securities and transactions as required by the Code. The compliance area monitors personal trading via the on-line pre-clearance system, FIS Personal Trading Assistant. Each calendar quarter, PFA's Access Persons review and certify to a report of their personal securities transactions in accordance with the Code.

Clients of PFA can obtain a copy of the Code of Ethics by contacting the Chief Compliance Officer at 800-533-1390.

Item 12 – Brokerage Practices

This Item is not applicable to PFA.

Item 13 – Review of Accounts

Review of Accounts:

1) Asset Allocation Service

PFA provides asset allocation strategies and other investment advisory services to qualified retirement plans funded with group annuity contracts purchased from Principal Life. On a quarterly basis, PFA's asset allocation team reviews the process used to develop its investment market outlook and the portfolios developed for its asset allocation strategies. A routine review of the appropriateness of the investment mix occurs at least annually. Asset allocation strategies are customized for each client based on their specific goals and objectives for their retirement plan. On average, an investment analyst will provide investment advisory services to 125-175 clients. Investment analysts carry out their duties at various levels of autonomy according to job level, the amount of assets per plan, and the size of transactions.

2) Management of Separate Account

PFA regularly reviews the portfolio of the Principal Total Market Stock Index Separate Account to assure that it appropriately correlates to the target allocation. PFA's asset allocation team meets quarterly or more often to review its portfolio.

3) Fixed Fee Asset Allocation Strategy

PFA provides a one-time asset allocation recommendation for clients interested in a point-in-time strategy. There are no on-going reviews of the accounts.

4) Liability Driven Investing (LDI) Asset Allocation Strategy

PFA provides a LDI asset allocation strategy for clients which is updated annually once the actuarial valuation is completed.

5) One-time Liability Driven Investing (LDI) Asset Allocation Strategy

PFA provides a one-time LDI asset allocation strategy for clients interested in a point-in-time strategy. There are no on-going reviews of the accounts.

6) Cash Balance Model Portfolios

PFA reviews the appropriateness of the investment options and their weighting in the model portfolios at least annually. There are no on-going reviews of client accounts.

Reports to Clients:

1) Asset Allocation Service

PFA will prepare at least an annual report for each client which is in addition to the regular financial reports the customer receives from Principal Life. This asset allocation report covers a review of the plan's investment allocation and targets, plan performance and investment performance. PFA can generate additional reports at the request of the client.

2) Management of Separate Account

PFA will report current allocation of assets among the other separate accounts to Principal Life on a regular basis at intervals agreed to by the two entities.

3) Fixed Fee Asset Allocation Strategy

PFA provides a one-time asset allocation recommendation for clients interested in a point-in-time strategy. There are no regular reports given to clients.

4) Liability Driven Investing (LDI) Asset Allocation Strategy

PFA provides a LDI asset allocation strategy for clients which is updated annually once the actuarial valuation is completed.

5) One-time Liability Driven Investing (LDI) Asset Allocation Strategy

PFA provides a one-time LDI asset allocation strategy for clients interested in a point-in-time strategy. There are no regular reports given to clients.

6) Cash Balance Model Portfolios

PFA provides Principal Life with three model portfolios for cash balance plans. There are no regular reports given to clients.

Item 14 – Client Referrals and Other Compensation

This Item is not applicable to PFA.

Item 15 – Custody

PFA's clients are all contract holders of group variable annuity contracts issued by Principal Life. These assets are held in separate accounts established by Principal Life. Pursuant to Iowa state insurance law, group annuity separate account assets are assets of the insurance company. See Iowa Code Section 508A.1(5). These insurance company separate accounts do not constitute "customer funds" or "securities". Therefore, PFA does not have custody or possession of the funds or securities of their clients. However, Principal Life does send to customers quarterly account statements and PFA sends out a separate report at least annually. These communications can be delivered through a website (with a customer log-in) or through the mail, based upon the customer's preference.

Item 16 – Investment Discretion

PFA retains limited discretion from clients to allocate plan assets within the group variable annuity contract issued by Principal Life. Clients are responsible to inform PFA of any legal, regulatory, or contractual investment restrictions that apply to their plan.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, PFA does not have any authority to and does not vote proxies on behalf of advisory clients.

Item 18 – Financial Information

PFA has no financial issues that would be reasonably likely to impair its ability to meet contractual commitments to clients. PFA has not been the subject of a bankruptcy proceeding.