

Item 1 Cover Page

Phillips Financial Management
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This brochure provides information about the qualifications and business practices of Phillips Financial Management. If you have any questions about the contents of this brochure, please contact us at 602-368-7092. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as a registered investment advisor does not imply a certain level of skill or training.

Additional information about Phillips Financial Management also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This is a new brochure and there has not been a previous annual update. Therefore, there are no changes to report.

Item 3 Table of Contents

Item 1 Cover Page	i
Item 2 Material Changes	ii
Item 3 Table of Contents	iii
Item 4 Advisory Business.....	2
Item 5 Fees and Compensation	3
Item 6 Performance-Based Fees and Side-by-Side Management	3
Item 7 Types of Clients	4
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	4
Item 9 Disciplinary Information.....	6
Item 10 Other Financial Industry Activities and Affiliations.....	6
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	7
Item 12 Brokerage Practices.....	7
Item 13 Review of Accounts	9
Item 14 Client Referrals and Other Compensation	9
Item 15 Custody	9
Item 16 Investment Discretion	9
Item 17 Voting Client Securities	10
Item 18 Financial Information.....	10

Item 4 Advisory Business

Phillips Financial Management is a new investment advisor firm with a registration pending with the U.S. Securities and Exchange Commission (“SEC”).

The principal owners of Phillips Financial Management are Kevin S. Phillips, Investment Advisor Representative and CCO, Michael A. Phillips, Investment Advisor Representative, and Angela L. Phillips, Investor.

Advisory Services

Phillips Financial Management (“Phillips” or “Advisor”) principal service is providing fee-based investment advisory services and financial planning services. The Advisor practices custom management of portfolios, on a discretionary basis, according to the client’s objectives. The Advisor’s primary approach is to use a tactical allocation strategy aimed at reducing risk and increasing performance. The Advisor may use exchange listed securities, over-the-counter securities, warrants, corporate debt securities, commercial paper, CDs, municipal securities, mutual funds, United States government securities, and options in securities to accomplish this objective. The Advisor measures and selects mutual funds by using various criteria, such as the fund manager’s tenure, and/or overall career performance. The Advisor may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. The Advisor may recommend specific stocks to increase sector weighting and/or dividend potential. The Advisor may recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio. The Advisor may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, change in risk tolerance of client, or any risk deemed unacceptable for the client’s risk tolerance.

Pension Consulting Services

Phillips will provide investment consulting services to pension plans. The services include the evaluation of overall asset allocation strategies available to plan participants, and the selection, ongoing monitoring of investment options utilized to construct portfolios in the asset allocation strategies, and recommendations to replace options as needed. The services may also include assistance in the evaluation of plan operations, including its Trustee, custodial and recordkeeping arrangements, design, fiduciary compliance program, costs and fees associated with investments and service providers, required and elective contributions, and the employee communication and education program.

The Advisor's roles and actions shall not replace the responsibilities of the plan's Trustee and will be performed solely at the direction of the Plan Sponsor, its authorized officers, employees and/or agents. At no time will the Advisor accept, maintain possession of, or have custodial responsibility for, the plan's assets. The Advisor will not conduct or effect the purchase or sale of any assets of the plan on behalf of the Plan Sponsor or plan participants (unless the plan participant is an advisory client of Phillips under a separate advisory agreement). The Advisor is not licensed to provide, shall not provide, nor be construed to provide, the services of an attorney or accountant.

Financial Planning

In addition to investment supervisory services, Phillips may provide financial planning services to some of its clients. The Advisor’s Financial Planning services may include recommendations for portfolio customization based on their client’s investment objectives, goals and financial situation, recommendations relating to investment strategies as well as tailored investment advice. Financial planning may also include non-investment advice such as developing strategies to achieve retirement or other financial goals, tax

optimization strategies, cash flow and budgeting analysis and recommendations, financing and financial education, estate planning, and asset protection strategies.

Item 5 Fees and Compensation

Asset Management Fees

Pursuant to an investment advisory contract signed by each client, the client will pay Phillips an annual advisory fee as shown in the following table, payable quarterly in advance, based on the value of portfolio assets managed by the Advisor as of the opening of business on the first business day of each quarter. New account fees will be prorated from the inception of the account to the end of the first quarter.

Assets Under Management	Annual Advisory Fee
\$0 - \$50,000	1.85%
\$50,001 - \$250,000	1.60%
\$250,001 - \$750,000	1.35%
\$750,001 - \$1,000,000	1.20%
\$1,000,001 and above	1.10%

These fees may be negotiated at the sole discretion of the Advisor. Asset management fees will be directly deducted from the client account on a quarterly basis by the qualified custodian. The client will give written authorization permitting the Advisor to be paid directly from their account held by the custodian. The custodian will send a statement at least quarterly to the client. Where it is not practical to deduct fees directly from client accounts, client will be sent an invoice at the beginning of each quarter. The invoice is payable upon receipt.

Hourly Fee

Some clients will contract to have investment advisory advice and / or financial planning advice provided based on an hourly fee rather than based on the assets under management. The Advisors hourly fee will be billed at a rate of \$250 per hour which may be negotiated in advance. Hourly fee-based clients are billed on a monthly basis upon completion of work performed.

All fees paid to Phillips for investment advisory services are separate and distinct from the expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's. These fees will generally include a management fee and other fund expenses.

At no time will Phillips accept or maintain custody of a client's funds or securities except for authorized fee deduction. Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer. The Advisor's fee is separate and distinct from the custodian and execution fees.

Phillips' management fee is payable in advance. Upon termination, any fees paid in advance will be prorated to the date of termination and any unearned fees will be refunded to client.

Neither Phillips nor its supervised persons accept compensation for the sale of securities or other investment products (except insurance products as described in Item 10 below), including asset-based sales charges or service fees from the sale of mutual funds.

Item 6 Performance-Based Fees and Side-by-Side Management

Phillips does not charge performance-based fees.

Item 7 Types of Clients

The Advisor will offer its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

The Advisor does not have any minimum requirements for opening or maintaining an account.

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

The Advisor may utilize fundamental, technical or cyclical analysis techniques in formulating investment advice or managing assets for clients.

Fundamental analysis of businesses involves analyzing its financial statements and health, its management and competitive advantages and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives; to conduct a company stock valuation and predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business decisions and to calculate its credit risk.

Technical analysis is a method of evaluating securities by relying on the assumption that market data, such as charts of price, volume and open interest can help predict future (usually short-term) market trends. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall.

Cyclical analysis of economic cycles is used to determine how these cycles affect the returns of an investment, an asset class or an individual company's profits. Cyclical risks exist because the broad economy has been shown to move in cycles, from periods of peak performance followed by a downturn, then a trough of low activity. Between the peak and trough of a business or other economic cycle, investments may fall in value to reflect the uncertainty surrounding future returns as compared with the recent past.

The investment strategies the Advisor will implement may include long-term purchases of securities held at least for one year, short-term purchases for securities sold within a year, trading of securities sold within 30 days, short sales, margin transactions, and option writing, including covered options, uncovered options or spreading strategies.

Clients need to be aware that investing in securities involves risk of loss that clients need to be prepared to bear.

The methods of analysis and investment strategies followed by the Advisor are utilized across all of the Advisors clients, as applicable. One method of analysis or investment strategy is not more significant than the other as the Advisor is considering the client's portfolio, risk tolerance, time horizon and individual goals. However, the client should be aware that with any trading that occurs in the client account, the client will incur transaction and administrative costs.

Investing includes the risk that the value of an investment can be negatively affected by factors specifically related to the investment (e.g., capability of management, competition, new inventions by other companies, lawsuits against the company, labor issues, patent expiration, etc.), or to factors related to investing and the markets in general (e.g., the economy, wars, civil unrest or terrorism around the world, concern about oil prices or unemployment, etc.).

Risks of fundamental analysis may include risks that market actions, natural disasters, government actions, world political events or other events not directly related to the price or valuation of a specific company's fundamental analysis can adversely impact the stock price of a company causing a portfolio containing that security to lose value. Risks may also include that the historical data and projections on which the fundamental analysis is performed may not continue to be relevant to the operations of a company going forward, or that management changes or the business direction of management of the company may not permit the company to continue to produce metrics that are consistent with the prior company data utilized in the fundamental analysis, which may negatively affect the Advisor's estimate of the valuation of the company.

In cyclical analysis, economic or business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. Also, the lengths of the economic cycles may be difficult to predict with accuracy. Therefore, the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

The primary risks in technical analysis are that the factors used to analyze the price, trends and volatility of a security may not be replicated, or the outcomes of such analysis will not be the same as in past periods where similar combinations existed. Because of the reliance on trends, technical analysis can signal buying at market peaks and selling at market troughs.

All investments involve some degree of risk. In finance, risk refers to the degree of uncertainty and/or potential financial loss inherent in an investment decision. In general, as investment risks rise, investors seek higher returns to compensate themselves for taking such risks.

Every saving and investment product have different risks and returns. Differences include how readily investors can get their money when they need it, how fast their money will grow, and how safe their money will be. The primary risks faced by investors include:

Business Risk

With a stock, you are purchasing a piece of ownership in a company. With a bond, you are loaning money to a company. Returns from both of these investments require that the company stays in business. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. If there are assets, the company's bondholders will be paid first, then holders of preferred stock. If you are a common stockholder, you get whatever is left, which may be nothing.

The business risk in purchasing an annuity is that the financial strength of the insurance company issuing the annuity may decline and not be able to pay out the annuity obligation.

Volatility Risk

Even when companies aren't in danger of failing, their stock price may fluctuate up or down. Large company stocks as a group, for example, have lost money on average about one out of every three years. A stock's price can be affected by factors inside the company, such as a faulty product, or by events the company has no control over, such as political or market events.

Inflation Risk

Inflation is a general upward movement of prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest. The principal concern for individuals investing in cash equivalents is that inflation will erode returns.

Interest Rate Risk

Interest rate changes can affect a bond's value. If bonds are held to maturity the investor will receive the face value, plus interest. If sold before maturity, the bond may be worth more or less than the face value. Rising interest rates will make newly issued bonds more appealing to investors because the newer bonds will have a higher rate of interest than older ones. To sell an older bond with a lower interest rate, you might have to sell it at a discount.

Liquidity Risk

This refers to the risk that investors won't find a market for their securities, potentially preventing them from buying or selling when they want. This can be the case with the more complicated investment products. It may also be the case with products that charge a penalty for early withdrawal or liquidation such as a certificate of deposit (CD).

The Advisor does not primarily recommend a particular type of security. However, clients are advised that many unexpected broad environmental factors can negatively impact the value of portfolio securities causing the loss of some or all of the investment, including changes in interest rates, political events, natural disasters, and acts of war or terrorism. Further, factors relevant to specific securities may have negative effects on their value, such as competition or government regulation. Also, the factors for which the company was selected for inclusion in a client portfolio may change, for example, due to changes in management, new product introductions, or lawsuits.

Item 9 Disciplinary Information

Neither Phillips nor its management persons have had any legal or disciplinary events, currently or in the past.

Item 10 Other Financial Industry Activities and Affiliations

Neither Phillips nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Phillips nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Phillips does not currently have any relationships or arrangements that are material to its advisory business or clients with either a broker-dealer, municipal securities dealer, or government securities dealer or broker, investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund" and offshore fund), other investment advisor or financial planner, futures commission merchant, commodity pool operator, or commodity trading advisor, banking or thrift institution, accounting firm, lawyer or law firm, pension consultant, real estate broker or dealer or sponsor of syndicator of limited partnerships.

Investment Advisor Representatives for Phillips are also licensed and registered as insurance agents to sell life, accident and other lines of insurance for various insurance companies. Therefore, they will be able to purchase insurance products for any client in need of such services and will receive separate, yet typical compensation in the form of commissions for the purchase of insurance products. Michael Phillips, Investment Advisor Representative, also provides tax return preparation services for a fee and may prepare tax returns for advisory clients of Phillips. These activities create a conflict of interest because of the receipt of additional compensation by the Investment Advisor Representatives. Clients are not obligated to use Phillips or its Investment Advisor Representatives for insurance products or tax preparation services.

However, in such instances, there is no advisory fee associated with the insurance products, and clients will be made aware of all commissions associated with the products, and fees for tax preparation services prior to the transactions being effected or services provided.

Phillips does not recommend or select other investment advisers for clients.

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

Phillips is registering with the SEC and maintains a Code of Ethics pursuant to SEC rule 204A-1. Phillips has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser. In addition, the Code of Ethics governs personal trading by each employee of Phillips deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of Phillips are conducted in a manner that avoids any conflict of interest between such persons and clients of the adviser or its affiliates. Phillips collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve conflicts of interest. Phillips will provide a copy of the Code of Ethics to any client or prospective client upon request.

Phillips and / or its investment advisor representatives may from time to time purchase or sell products that they may recommend to clients. This practice creates conflicts of interest in that personnel of Phillips can take advantage of the advance knowledge of firm securities trading and trade their personal accounts ahead of the client trades or recommend trades in client accounts that may affect the price of the securities owned by the Investment Advisor Representatives. To mitigate these conflicts, Phillips has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser. In addition, the Code of Ethics governs personal trading by each employee of Phillips deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of Phillips are conducted in a manner that avoids any actual or potential conflict of interest between such persons and clients of the adviser or its affiliates. Phillips collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed quarterly by the Chief Compliance Officer to identify and resolve potential conflicts of interest. Phillips' Code of Ethics is available upon request. Finally, supervised persons of registered investment advisors are fiduciaries by law and are required to put the client's interest before those of the firm and themselves.

Phillips requires that its investment advisor representatives follow its basic policies and ethical standards as set forth in its Code of Ethics.

Investment Advisor Representatives of Phillips may trade for their own accounts securities that are being traded for client accounts at or about the same time. To mitigate the conflict of interest in such circumstances, Phillips' policy is to require the trading of all relevant client account prior to the trading of their own accounts. The Chief Compliance Officer examines personal trading activities of Phillips' personnel to verify compliance with this policy.

Item 12 Brokerage Practices

If requested by the client, Phillips may suggest brokers or dealers to be used based on execution and custodial services offered, cost, quality of service and industry reputation. Phillips will consider factors such as commission price, speed and quality of execution, client management tools, and convenience of access for both the Advisor and client in making its suggestion.

Phillips may receive proprietary research services or other products as a result of recommending a particular broker which may result in the client paying higher commissions than those obtainable through other

brokers. If Phillips does receive such products or services, it will follow procedures which ensure compliance with Section 28(e) of the Securities Exchange Act of 1934 or applicable state securities rules.

The firm seeks to obtain the most favorable net results for clients' price, execution quality, services and commissions. Although the firm seeks competitive commission rates, it may pay commissions on behalf of clients which may be higher than those available from other brokers in order to receive other services. The firm may enter into such transactions so long as it determines in good faith that the amount of commission paid was reasonable in relation to the value of the brokerage and research services provided by the broker. The services that may be considered in this determination of reasonableness may include (1) advice, either directly or through publications or writing, as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (2) analysis and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; or (3) effecting securities transactions and performing functions incidental thereto. Such research furnished by broker-dealers may be used to service any or all of Phillips' clients and may be used in connection with accounts other than those that pay commissions to the broker-dealers providing the research. In particular, third-party research provided by broker-dealers may be used to benefit all of the firm's clients. This creates a conflict of interest in that the firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution.

Benefits received may be used as soft dollars provided that:

- The service is primarily for the benefit of Phillips' clients
- The commission rates are competitive with rates charged by comparable broker-dealers; and
- Phillips does not guarantee a minimum amount of commissions to any broker-dealer.

Phillips does not receive client referrals from any broker-dealer or third party as a result of the firm selecting or recommending that broker-dealer to clients.

Phillips recommends that all clients use a particular broker-dealer for execution and/or custodial services. The broker-dealer is recommended based on criteria such as, but not limited to, reasonableness of commissions charged to the client, tools and services made available to the client and the Advisor, and convenience of access to the account trading and reporting. The client will provide authority to Phillips to direct all transactions through that broker-dealer in the investment advisory agreement.

As an investment advisory firm, Phillips has a fiduciary duty to seek best execution for client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it appears to be a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market, and the specific needs of the client. Phillips' primary objectives when placing orders for the purchase and sale of securities for client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the broker. Phillips may not necessarily pay the lowest commission or commission equivalent as specific transactions may involve specialized services on the part of the broker.

Phillips does not permit clients to direct brokerage.

Phillips may combine orders into block trades when more than one account is participating in the trade. This blocking or bunching technique must be equitable and potentially advantageous for each such account (e.g. for the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with

the terms of Phillips' investment advisory agreements. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed accounts participating in a block execution receive the same execution price (average share price) for the securities purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. Phillips may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

Item 13 Review of Accounts

The firm reviews client accounts on an annual basis, or when conditions would warrant a review based on market conditions or changes in client circumstances. The accounts are reviewed by Kevin Phillips, Michael Phillips, and John Glaudel, Investment Advisor Representatives. Triggering factors may include Phillips becoming aware of a change in client's investment objective, a change in market conditions, change of employment, or a change in recommended asset allocation weightings in the account that exceed a predefined guideline.

The client is encouraged to notify the Advisor and Investment Advisor Representative if changes occur in his/her personal financial situation that might materially affect his/her investment plan.

The client will receive written statements no less than quarterly from the custodian. In addition, the client will receive other supporting reports from mutual funds, asset managers, trust companies or other custodians, insurance companies, broker-dealers and others who are involved with client accounts. Phillips does not deliver separate client reports.

Item 14 Client Referrals and Other Compensation

Phillips is not compensated by anyone for providing investment advice or other advisory services except as previously disclosed in this Brochure.

Phillips does not directly or indirectly compensate any person who is not a supervised person for client referrals.

Item 15 Custody

Phillips does not have custody of client funds or securities, except for the withdrawal of advisory fees directly from client accounts (please see Item 5 which describes the safeguards around direct fee deduction). However, as noted in Item 13 above, clients will receive statements not less than quarterly from the qualified custodian, and we encourage you to review those statements carefully. Any discrepancies should be immediately brought to the firm's attention.

Item 16 Investment Discretion

Phillips generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client for each transaction. However, these

purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by Phillips.

Discretionary authority will only be provided upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by Phillips will be in accordance with each client's investment objectives and goals.

Item 17 Voting Client Securities

Phillips will not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. Also, Phillips cannot give any advice or take any action with respect to the voting of these proxies. The client and Phillips agree to this by contract. Clients will receive proxy solicitations from their custodian and/or transfer agent.

Item 18 Financial Information

Phillips does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance, and is not required to file a balance sheet.

Phillips has discretionary authority over client accounts and is not aware of any financial condition that will likely impair its ability to meet contractual commitments to clients. If Phillips does become aware of any such financial condition, this brochure will be updated and clients will be notified.

Phillips has never been subject to a bankruptcy petition.