



## Avantax Advisory Services, Inc.

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Irving, TX 75038*

This Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure provides information about qualifications and business practices of Avantax Advisory Services, Inc. (AAS) which also uses the trade name Avantax Advisory Services<sup>SM</sup>. Avantax Advisory Services, Inc. is a Registered Investment Adviser. Registration does not imply a certain level of skill or training.

Avantax Wealth Management<sup>SM</sup> is the holding company for the group of companies providing financial services under the Avantax name. Securities offered through Avantax Investment Services<sup>SM</sup>, Member FINRA, SIPC. Investment advisory services offered through Avantax Advisory Services<sup>SM</sup>. Insurance services offered through licensed agents of Avantax Insurance Agency<sup>SM</sup> and Avantax Insurance Services<sup>SM</sup>.

If you have questions about the contents of this brochure, please call the Avantax Compliance Department at (214) 294-5000 or e-mail us at

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.

Additional information about our company is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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### IMS Prime Wrap Fee Program Brochure

March 30, 2020

# IMS Prime Program Wrap Fee Brochure

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## Item 2 - Material Changes

This section of the wrap fee program Brochure will summarize the specific material changes that have been made since the previous version of the wrap fee program Brochure was published. The types of changes that will be discussed in this summary will relate to the nature of the material changes we made to our policies, practices, or conflicts of interest. This will help you decide whether to review all or only certain portions of the wrap fee program Brochure or to contact us with questions about the changes that were made.

The previous version of this Brochure, dated October 28, 2019, has been amended as follows:

The maximum structured products concentration is limited to 30% of the client's liquid net worth.

Avantax's parent company Blucora will award \$5.5 million in equity grants of its publicly traded stock (Nasdaq: BCOR) to Avantax firms with the top gross dealer concession (GDC) during the performance period of January 1, 2020 – December 31, 2020 with allocations to individual advisors based on percentage of year-over-year total increase in GDC.

AAS no longer makes Hedge Funds available for new purchases. Adviser may waive this restriction on new purchases if circumstances deem it appropriate.

AAS has updated the list of revenue sharing partners and it is attached as Schedule 1.

During turbulent markets or at the onset of other economic conditions, rebalancing may be suspended so that practical considerations are taken into account. For example, continuous rebalancing to chase what is essentially a moving target may simply increase the transaction costs and/or taxable consequences in your account without meaningful benefit. The accounts will only be suspended from rebalancing on a temporary basis and will be monitored to ensure they remain within the chosen risk profile. We may also adjust the asset class or security level drift parameters temporarily to account for extreme market volatility.

We may further provide other updated disclosure information about material changes, as necessary.

You may request a copy of our current wrap fee program Brochure at any time, without charge, by calling us at (214) 294-5000 or e-mailing us at [Compliance@Avantax.com](mailto:Compliance@Avantax.com).

Additional information about us is also available via the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with us who are registered, or are required to be registered, as our investment adviser representatives ("IARs").

This brochure was last updated on March 30, 2020.

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## Item 4 – Services, Fees and Compensation

### Services

We are Avantax Advisory Services, Inc. (AAS). Through our network of affiliated investment adviser representatives (Advisor(s)), Avantax offers comprehensive financial services to individuals, families, businesses and institutions. Avantax specializes in partnering with CPA, tax, accounting, legal, and dedicated financial professionals.

Avantax Advisory Services, Inc. (“AAS” or “Avantax Advisory Services<sup>SM</sup>”) was established in 1987 and was formerly known as HD Vest Advisory Services, Inc. AAS is a wholly-owned subsidiary of Avantax Wealth Management, Inc. and an indirect subsidiary of Blucora, Inc., a publicly traded company (Nasdaq: BCOR). AAS is registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser and was created to offer ongoing consultative investment management services through investment advisory programs.

AAS is an affiliate of Avantax Investment Services, Inc. (“AIS” or “Avantax Investment Services<sup>SM</sup>”), formerly known as HD Vest Investment Securities, Inc., a broker-dealer registered with the SEC and a FINRA member firm. AIS generally provides brokerage, custody and execution services through a clearing arrangement with National Financial Services LLC (“NFS”), a non-affiliated firm, member NYSE, SIPC and a Fidelity Investments® Company. Your Advisor may be affiliated with both AAS and AIS for the purpose of offering you a broader range of financial services.

In early 2019, Blucora acquired 1st Global, Inc. and its affiliated firms including 1st Global Advisors, Inc., an SEC registered investment adviser, and 1st Global Capital Corp., a broker-dealer registered with the SEC and a FINRA member firm. 1st Global Capital Corp. merged into HD Vest Investment Securities, Inc. and 1st Global Advisors merged into HD Vest Advisory Services. Effective upon the merger of the broker-dealers and investment advisers, the firms now operate under the Avantax name as described throughout this Disclosure Brochure.

AAS is an investment adviser registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940.<sup>1</sup> AAS is engaged in the business of providing ongoing investment advice and monitoring of client portfolios for fees. As an investment adviser, AAS is a fiduciary to our advisory clients. As fiduciaries, AAS is expected to manage portfolios in the best interests of clients; provide clients with undivided loyalty; make full and fair disclosure of all material conflicts of interest; seek best execution for client transactions; ensure that investment advice is suitable for clients’ objectives, needs and circumstances; and refrain from effecting personal securities transactions that are inconsistent with client interests. If your account is a retirement account and subject to the Employee Retirement Income Security Act of 1974, AAS may be a fiduciary within Section 3(21) under the Employee Retirement Income Security Act of 1974 (ERISA), as amended. We acknowledge ERISA fiduciary status, in writing, in your Investment Advisory Agreement. Absent this written acknowledgment, your Advisor may not be providing fiduciary services as defined by ERISA. Please consult with your Advisor if you have not had a conversation about ERISA fiduciary status as your Advisor may only be providing education and not investment advice regarding plan assets. As ERISA fiduciaries, AAS is expected to provide advice that is in your best interest; only charge fees that are reasonable; and not make any materially misleading statements about

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<sup>1</sup> Registration does not imply a certain level of skill or training.

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recommended transactions, fees and compensation, conflicts of interest, or any other matters relevant to your investment decisions.

Our platform of investment advisory services is collectively known as Investment Management Solutions, or IMS. Through IMS, you have access to a wide range of investment products, including, but not limited to, mutual funds, exchange-traded funds (ETFs), common and preferred stocks, municipal, corporate and government fixed income securities, unit investment trusts, certificates of deposit and alternative investments such as fund of funds hedge funds, structured investments and private equity.

## Establishing an Account

In order to participate in the IMS Prime program, you will need to establish a brokerage account with AAS's custodian National Financial Services LLC (NFS). Trades may be referred to Avantax Investment Services, Inc., an affiliated broker-dealer under common ownership, for execution. You are advised that a conflict of interest exists since the broker-dealer will receive compensation on some transactions. All assets on the IMS Prime program will be custodied through NFS.

You will also need to execute an Investment Advisory Agreement with us in order to participate in the IMS Prime program. The Investment Advisory Agreement outlines the services provided to you through this program, and the terms and conditions governing the investment advisory relationship with us. By entering into the Investment Advisory Agreement with us, you grant discretionary authority to us to initiate transactions for the account, as described in this Brochure and the agreement.

Security transfers can take several weeks to complete. Securities are subject to market price risk while in transfer phase. There is no guarantee that transferred securities (stocks, bonds, or mutual funds) can be liquidated in your best interest. Liquidating trades will be entered as market orders. No specific consideration is given to timing or price levels.

## Monitoring and Review

We manage the portfolio type and model portfolios to maintain consistency with your Statement of Investment Selection (SIS). We will monitor the performance of the account and the model portfolios/mutual funds/ETFs/hedge fund(s)/private equity/structured investments/bond ladders comprising the account. IMS Prime program accounts will be rebalanced annually. You grant us the authority to maintain the account in accordance with the portfolio type as stated in the SIS provided to you.

You will be provided with a custodial statement from NFS on a monthly or quarterly basis depending on activity in the account, which will include a detail of account activity during the month or quarter (including account holdings, contributions and withdrawals, and the value of the account at the beginning and end of the period). You will receive confirmations of the activity in the account.

AAS is the sponsor of other wrap fee programs described in separate brochures.

## IMS Prime Program

The IMS Prime Program is a "wrap fee" program in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the advisory fees.

IMS Prime portfolios are diversified asset allocation models for Accounts with between \$5,000 and \$25,000 in assets, and will be implemented solely into exchange traded funds ("ETFs"). Client, with assistance of Client's Advisor, will fully and accurately complete a Risk Profile Questionnaire ("Profile") in the form provided by AAS, describing the Client's financial situation, investment objectives, time horizon, risk tolerance and investment preferences. AAS and Advisor will utilize such Profile in rendering services to Client. Upon receipt of Client's Profile, Advisor and Client will determine the appropriate portfolio type based on results of the Profile. Client will be provided with a Statement of Investment Selection ("SIS") based on the results of the Profile. Your portfolio may be invested similarly to, or different from, other clients with the same or similar objectives.

AAS and the Advisor will monitor market conditions and the performance of your portfolio. The Advisor will communicate any changes to you and reposition assets as needed. AAS will automatically rebalance your portfolio back to its original

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target percentages annually. Additional deposits of cash may trigger a rebalance. AAS will monitor IMS Prime accounts for unimplemented cash on a periodic basis, typically quarterly. There are no transaction costs associated with the available universe of ETFs within the IMS Prime Program. Please note, however, that a short-term redemption fee will be charged for any sales that occur within 30 days of the original purchase of the ETF. The fee is \$7.95 and is designed to reduce the likelihood of excessive trading in these investment products. AAS receives no portion of this fee.

IMS Prime portfolios are managed on a discretionary basis. AAS will have full authority to automatically rebalance the account according to the agreed upon target allocation and rebalancing schedule. This discretionary authority will include the authority, without first consulting you, to determine the amount of assets in each asset class in your account to buy or sell in order to rebalance the account back to its original target percentages, including the authority to buy, sell, select, remove and replace securities for the account.

Your IMS Prime account will be a discretionary account for which the Advisor need not seek your approval prior to purchasing or repositioning assets. The use of discretion requires specific written approval from us. In addition, you must provide written authorization to allow your Advisor to utilize discretion in the account. This is accomplished through the Investment Advisory Agreement.

Neither AAS nor the Advisor will have the authority to withdraw funds or securities from your account other than for payment of quarterly management fees as agreed to in writing by you.

## Program Choice Considerations

The specific advisory program selected by you may cost you more or less than purchasing program services separately. Factors that bear upon the cost of a particular advisory program in relation to the cost of the same services purchased separately include, but may not be limited to, the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client-related services provided to the account.

Investment recommendations and advice offered by our Advisors and us does not constitute legal, tax, or accounting advice. You should coordinate and discuss the impact of the financial advice you receive from our Advisors with your attorney and accountant. AAS acknowledge that our Advisors are commonly CPAs or other tax, accounting or legal professionals, therefore, acting as your CPA, tax or accounting professional or attorney, your Advisor may, in this capacity, provide legal, tax or accounting advice.

During turbulent markets or at the onset of other economic conditions, rebalancing may be suspended so that practical considerations are taken into account. For example, continuous rebalancing to chase what is essentially a moving target may simply increase the transaction costs and/or taxable consequences in your account without meaningful benefit. The accounts will only be suspended from rebalancing on a temporary basis and will be monitored to ensure they remain within the chosen risk profile. We may also adjust the asset class or security level drift parameters temporarily to account for extreme market volatility.

In general, your Advisor is responsible for delivering investment advisory services to you, and you generally deal with matters relating to your account(s) by contacting your Advisor directly.

Compensation to your Advisor and us may be more than the amounts AAS would otherwise receive if you paid for investment advice, brokerage, and/or other relevant services separately. Just as many Advisors offer management fee discounts to their larger clients, AAS will retain less of the investment advisory fee as our Advisor's total IMS platform assets under management increases. As Advisors grow their fee-based business within our suite of IMS programs, our economies of scale are shared with Advisors by reducing the percentage amount of investment advisory fees that AAS will retain. Our retention decreases as Advisors reach specified asset levels.

Fee-based advisory accounts closely align our interest and reduce the likelihood of churning, high-pressure sales tactics and recommending unsuitable transactions. Fee-based programs offer investors consistent and explicit monthly or annual charges and are designed for those that engage in at least a moderate level of trading activity. Fee-based programs have periodic, ongoing fees to support ongoing monitoring and advice regarding the assets in your account. This ongoing monitoring and advice is supported by features and benefits such as automatic rebalancing. The tools AAS makes available to your Advisor allow him or her to be proactive in the management of your assets. In a commission-based program there



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is no ongoing monitoring and advice. Once a transaction is complete the obligation to monitor that investment ends. The Advisor is available to assist you in the future but that assistance will be reactive in nature. Fee-based programs may not be a fit for certain investors. Accounts with low trading activity may be better off with a commission-based program. These accounts may be comprised mainly of bonds or mutual funds, but also could contain individual equities where the customer has a stated buy-and-hold strategy.

In determining the appropriateness of a fee-based program versus a commission-based program AAS will consider your financial status, investment objectives, trading history, size of portfolio, nature of securities held, and account diversification. AAS may also consider whether the fee-based program is appropriate in light of the services provided, the projected cost to the customer, alternative fee structures that are available, and the customer's fee structure preferences.

Recommendations implicit in model portfolios provided to us may reflect recommendations being made by a given asset manager contemporaneously to, or investment advisory decisions made contemporaneously for, other clients of the asset manager. As a result, the asset manager may have already commenced trading for their other accounts before we have received or had the opportunity to evaluate or act on asset manager's recommendations. In this circumstance, trades ultimately placed by us for you may be subject to price movements (particularly in the case of illiquid securities or large orders) that may result in you receiving prices that are less favorable than the prices obtained by the asset manager for its other accounts. On the other hand, we may initiate trading based on the asset manager's recommendations before or at the same time the asset manager is also trading for its accounts.

If the investment advisory, brokerage, custody and other services received under these programs were paid for separately, the actual costs could vary from the wrap fee paid depending upon such factors as, without limitation, the size of the account, the model portfolio, the number of transactions, and the number of model portfolios in the account. IMS Prime program account fees are determined by the Schedule of Fees attached to the Investment Advisory Agreement and incorporated as Exhibit B and are not negotiable. Comparable services may be available separately from other sources for fees lower or higher than those charged by us.

## Fees and Compensation

### AAS Earns Asset Management Fees for the Services We Provide

You will pay AAS and your Advisor an annual asset management fee (Client Fee) based on a percentage of assets under management (AUM) or a flat fee based on the value of your account if you elect to receive asset management services through one or more of our IMS programs. The maximum Client Fee that can be charged in the IMS Prime program is 3% annually and the Client fee is generally negotiable. Certain managed account platforms have lower maximum annual fee amounts, and fee schedules will vary among platforms. In most cases, the Client Fee is payable quarterly in advance and is based on the AUM on the last business day of the previous calendar quarter. Certain managed account platforms charge fees in arrears and will have differing methods of computation. Please refer to the respective platform description below or to the respective client agreement for specific information about the maximum fee allowed, the varying fee schedules of each platform, and the methods of fee billing for the platform(s) you select.

The person recommending this program will receive compensation as result of your participation in the program. The amount of this compensation may be more than what the person recommending the program would receive if you were to participate in any of our other programs or if you pay separately for investment advice, brokerage and other services. Therefore, the person recommending this program may have a financial incentive to recommend this program over other programs or services AAS offer.

Your Advisor may recommend that products on which they previously received a commission be converted to a fee-based advisory account. This recommendation could be deemed to be a conflict of interest, and we manage the conflict through written disclosure to you and by imposing reasonable controls designed to monitor for this activity. Commissionable products can be transferred in-kind to an advisory account but will have a look-back period to determine if the commission should be refunded to the client. We do not allow the systematic conversion of recently purchased commission-based products to fee-based advisory accounts.



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## IMS Prime Program

AAS will charge an annual fee which may be a flat dollar amount based on the market value of the assets under management or a percentage of the assets under management in accordance with the Schedule of Fees attached to the Investment Advisory Agreement and incorporated as Exhibit B.

The Client Fee is paid quarterly. The fee for Client's Account will be based upon the market value of the assets in the Account determined as of the close of business on the last business day of the calendar quarter. To calculate the fee, multiply each segment of the total fee by the quotient of the number of days in the calendar quarter divided by the number of days in the calendar year. The total Client Fee is the sum of the preceding fee amounts. Once the account value reaches \$50,000, you will be charged a percentage of assets under management. To calculate this fee, multiply each segment of the total fee by the value of the account on the last business day of the previous calendar quarter, then multiply that amount by the quotient of the number of days in the calendar quarter divided by the number of days in the calendar year. The total Client Fee is the sum of the preceding fee amounts.

Additional assets received into the Account during any billing period may be charged a pro-rata fee based on the number of days remaining in the billing period if the additional assets subject the Client's Account to a higher fee. Conversely, withdrawals from the account may result in a pro-rata refund based on the number of days remaining in the billing period if the withdrawal subjects the Client's account to a lower fee.

If a Client's IMS Prime Account grows past \$50,000, the Account will be assessed a fee based on a percentage of Client's assets under management ("AUM"), not to exceed 1.4% annually. Once Client's IMS Prime Account grows past the \$25,000 account opening maximum, Client may transition Client's Account to another AAS IMS program at any time subject to stated program minimums. Such a transition will require additional account paperwork and Client will be required to submit a new Risk Profile Questionnaire. If after a Client's IMS Prime Account grows past the \$50,000 threshold and is assessed a fee based on AUM, but at the time of the next billing cycle has fallen below \$50,000 in value, Client's IMS Prime Account will revert to the fixed fee pricing schedule.

AAS receives a portion of the Client Fee.

The Client Fee does not include certain fees and charges related to account services provided by the custodian. The fees and charges for accounts held through National Financial Services LLC (NFS) are disclosed in the section titled Account Fees and Charges for Accounts held through NFS.

The Client Fee does not include "expense ratios" of Exchange Traded Funds. Specific information on the expense ratios of any Exchange Traded Funds may be found in their respective prospectuses. Please note that a short-term redemption fee of \$7.95 will be charged for any sales that occur within 30 days of the original purchase of the ETF. AAS receives no portion of this fee.

## Billing Practices

AAS, through the account custodian, will typically debit the annual Client Fee from your IMS account automatically. The annual Client Fee will be payable first from free credit balances, money market funds, or cash equivalents, if any, and second from the liquidation of a portion of your securities holdings, pursuant to the discretionary authority granted by you to the Advisor and AAS. Rather than automatic fee debiting from your account, you also have the ability to be direct billed by writing a check to us for the fee amount, or instructing us to charge the fee to one of your other AAS accounts. You will pay fees quarterly, typically in advance, based on the specific program selected by you.

You will be provided with an invoice that states the value of the assets, fee calculation and amount due or amount withdrawn (to pay fees earned by the IAR and us) only if you pay by check. Those clients choosing to pay by direct debit from the account or another account will not receive an invoice. You will receive a statement from the custodian, NFS, reflecting the withdrawal of fees. It is your responsibility to verify the accuracy of the fee as neither AAS nor the custodian do so. The amount of the advisory fee will also be reflected in the IMS quarterly performance report.

The Client fee is disclosed in the SIS. AAS reserves the right to revise the Client Fee upon 30-day advance written notice, prior to the quarter in which the change would become effective.

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## Other Fees and Expenses

In addition to the charges noted above, you may also incur certain charges imposed by third parties other than us or the Advisor in connection with certain investments. AAS and/or your Advisor will receive a portion of these fees. These include, but are not limited to:

- Mutual fund or money market 12b-1 fees and sub-transfer agent fees;
- Mutual fund, ETF and money market management fees and administrative expenses;
- Mutual fund transaction fees;
- Certain deferred sales charges on previously purchased mutual funds transferred into the account;
- Other transaction charges and service fees;
- IRA and qualified retirement plan fees; and
- Other charges that may be required by law.

If you own mutual funds, the funds may charge early redemption fees if you liquidate fund holdings in your account within a certain period of time after investing them, typically within 30 to 180 days, depending on each fund company's policies. Early redemption fees may also be assessed on the sale of ETFs in our IMS Prime program if executed within 30 days or the original purchase of the ETF. The fee is \$7.95 and is designed to reduce the likelihood of excessive trading in these investment products. AAS receives no portion of this fee.

The fees that AAS charges are in addition to fees charged by any mutual funds in which you may invest. The mutual funds in your portfolio assess charges and fees at the fund level, including fees for investment management services and 12b-1 distribution charges that are permitted under Section 12b-1 of the Securities Exchange Act. You should be aware that these 12b-1 fees come from fund assets and thus, indirectly from your assets. **As a general matter, AAS credits the mutual fund 12(b)1 fees it receives back to the client accounts paying such 12(b)1 fees.**

## Account Fees and Charges for Accounts held through NFS

The following fees and charges apply for accounts held through NFS. Fees and charges are subject to change. Additional fees will apply for specific account features such as check writing, debit or charge cards, and bill pay services. Please refer to specific account documentation for further information.

*Full Retirement Distribution Fee (\$125).* This is a processing fee associated when a client makes a full distribution out of a retirement account.

*Full TOA Delivery Fee – non-retirement (\$125).* This is a processing fee associated with a complete transfer and delivery of assets out of a NFS brokerage or managed account.

*Margin Interest (varies – see NFS Disclosure of Credit Terms on Transactions).* Interest will be charged on all accounts for any credit extended to or maintained for customers by the firm for the purpose of purchasing, carrying or trading in securities or otherwise.

## Termination and Advisory Fees

AAS will charge the Client Fee in advance upon establishing the value of the portfolio based on the proportion of the number of days remaining in the quarter. Thereafter, AAS will charge quarterly fees based on the value of the portfolio on the last business day of the prior quarter or the date the custodian values the portfolio for the month-end statement at the end of the prior quarter. The value of the portfolio generally includes the value of all securities held in the account, including the value of money market mutual funds, but excluding non-billable assets.

The Client Fee is payable by you upon initial statement at the end of the prior quarter. The Client Fee payable upon initial implementation of the account is payable by you upon receipt of an invoice from us, or AAS collect them directly from the account or from another account of yours.

Pursuant to a fee authorization and initial power of attorney signed by you, AAS will calculate the Client Fee for all subsequent periods as of the last business day of the previous quarter. If your account does not contain sufficient funds to pay the Client Fee, AAS will have limited authority to sell or redeem securities in sufficient amounts to pay the Client Fee. You may reimburse the portfolio for fees that are paid from the portfolio. If you have chosen to pay upon receipt of an

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invoice, fees due and payable that have not been collected 45 days after receipt of the invoice will be debited from your account. Furthermore, if you fail to pay an invoice after a second notice, the account will be changed to be automatically debited each quarter.

You may terminate the agreement with us within five business days of signing the agreement without incurring any charges.

Furthermore, AAS or you may terminate the agreement at any time and for any reason, upon thirty (30) days written notice to the other party. You are responsible for fees during the period between notice and final termination, which is the end of the 30-day period. AAS may waive the Client's 30-day written notice requirement at our sole discretion. Accounts with no financial intermediary (no assigned financial advisor), will continue to pay our portion of the total Client Fee. This fee is to cover administrative and reporting services which may be provided until the account is transferred away from the Firm.

Upon notice of termination, AAS will await further instructions from you as to what steps you request to liquidate and/or transfer the portfolio and remit the proceeds. Upon instructions received, AAS will instruct brokers, dealers, mutual fund sponsors, and others to liquidate and/or transfer the portfolio and remit proceeds to you.

Upon termination of your IMS account, AAS will refund our unearned Client Fee on a prorated basis as detailed in the Investment Advisory Agreement.

AAS cannot make any representation regarding investment features that may limit your ability to liquidate or transfer all or a portion of your portfolio. In these cases, AAS will consider your agreement terminated as per the language in the agreement and stated here. For information on features that may limit or impair the ability to sell or transfer an asset, you are advised to review the prospectus, offering document or participation agreement.

## Additional Compensation

Advisors of AAS may also be Registered Representatives (RRs) of our affiliated broker-dealer, Avantax Investment Services, Inc. Our Advisors may offer financial planning services at no cost or for a fee through our Seasonal Planning Program. These recommendations may be implemented through the broker-dealer or us.

When implemented through the broker-dealer, RRs of Avantax Investment Services, Inc. receive commissions from the sale of investment products, including the sale of mutual funds. Mutual funds assess charges and fees at the fund level, including fees for investment management services and 12b-1 fees that are permitted under Section 12b-1 of the Securities Exchange Act. These charges principally cover advertising, promotion, and shareholder servicing expenses incurred by the fund. The amount of additional compensation paid by mutual funds in the form of 12b-1 fees can differ between funds and some funds pay no 12b-1 fees at all. RRs can receive all or a portion of these 12b-1 fees. Therefore, in the context of providing investment services in a commission based setting, the presence of these 12b-1 fees can present a potential conflict of interest because it can provide the RR with an incentive to recommend the investment products which include such fees.

When implemented through us, Advisors of AAS do not receive commissions for the sale of investment products through our advisory platforms. Instead, they receive advisory fees based on the assets under management in the account.

NFS is the custodian of your account. We pay an asset-based fee to NFS based on average daily balances in all IMS accounts. The asset based fee we pay NFS does not apply to the following asset classes: NTF Funds, iNTF Funds, Fidelity Retail Funds, Cash and Cash Equivalents, variable and fixed annuity contracts sold through the NTF Annuity Processing Program and Non-Standard Assets, which include but are not limited to Foreign Securities, Alternative Investments, and Non-Marketable Securities. We can and do utilize these products in our accounts. A potential conflict of interest exists as AAS has a financial incentive to use these products over other products that are assessed the asset-based fee.

Your Advisor can be incentivized to join and remain affiliated with Avantax. These incentives can include compensation arrangements such as bonuses and/or business transition loans in the form of a promissory note. Your Advisor may use this payment to help pay for expenses incurred during the transition of his or her book of business to Avantax. Receiving this compensation is a conflict of interest as it provides your Advisor an incentive to join and remain affiliated with Avantax based solely on this compensation and not on our ability to meet the needs of your Advisor and his or her clients.

# IMS Prime Program Wrap Fee Brochure

Avantax's parent company Blucora will award \$5.5 million in equity grants of its publicly traded stock (Nasdaq: BCOR) to Avantax firms with the top gross dealer concession (GDC) during the performance period of January 1, 2020 – December 31, 2020; and, allocations on an individual advisor basis based on percentage of year-over-year total increase in GDC. This equity compensation is a conflict of interest as it provides your Advisor an incentive to recommend products and services which will increase his/her revenue on an individual and/or firm basis. However, Avantax monitors all financial product and service recommendations made by our Advisors for client suitability and furthermore the equity awards are based on total GDC across all product lines so that no one particular financial product or service is incentivized over another.

## Revenue Sharing Arrangements

Companies for some of the investment products Avantax sells participate in activities that are designed to help facilitate the distribution of their products. The marketing activities and educational programs provided by these product sponsors include, but are not limited to, attendance by product representatives at our conferences, cash and non-cash marketing assistance paid to Advisors, and training and education presentations provided to Advisors about their products and services. In return for assistance in facilitating the activities described above, Avantax receives additional compensation, commonly referred to as "revenue sharing," from these companies. These companies are part of what Avantax calls our Educational Partners Program. These revenue sharing payments are in addition to the commissions and distribution fees (known as 12b-1 fees), and other fees and expenses paid to your Advisor and us, as disclosed in the respective product's prospectus. It is important to note, however, that these revenue sharing payments are paid out of the company's own assets—not from the investment's assets themselves—and, therefore, would not appear as items in a product's expense table. No portion of these revenue sharing payments to us is made by means of brokerage commissions generated by the fund.

None of the revenue sharing payments received by us is paid or directed to any Advisor who sells these products. Our Advisors do not receive a greater or lesser amount of cash compensation for sales of the products of those companies that participate in our revenue sharing program, as opposed to those that do not make such payments. Because our Advisors receive no increase or change in compensation from selling shares of one product over another, Avantax does not believe that they are subject to a conflict of interest based on the amount of revenue sharing Avantax receives from those companies.

Our Advisors, however, may receive reimbursements from product sponsor companies for certain marketing costs and may participate in training and education meetings sponsored by the companies. The cash and non-cash marketing reimbursements and training and education meetings paid for by product sponsor companies, whether or not the same companies participate in our revenue sharing program, could lead our Advisors to focus more on those products that provide the Advisor with marketing or training and education assistance, as opposed to those companies that do not make such payments. The product sponsors that participate in our revenue sharing program are listed in the appendix as Schedule 1.

The amount paid by Educational Partners can be up to 13 basis points (0.13%) annually for assets held with the partner and up to 25 basis points (0.25%) on sales (for example, for every \$10,000 investment, Avantax would receive a one-time \$25 payment and/or a \$13 annual payment during each period the asset remain invested); or a flat annual dollar amount.

Participating product sponsors may also be subject to certain minimum payments each year in conjunction with the program if minimum amounts of sales or assets are not met, and they may also make additional payments to us for attendance at various educational meetings hosted by us throughout the year.

Avantax will earn a monthly distribution fee from NFS on all Fidelity Money Market Fund balances (including qualified retirement plans) at an annualized rate of the average net assets (calculated daily) of its customers beneficially owning shares in the following Fidelity Money Market Funds.

The Firm will earn the following Schedule 1 tiered distribution fee until such time that the Schedule 2 distribution fees meet or exceed that of Schedule 1. The Firm can only earn distribution fees from one Schedule at a time.

### Schedule 1:

Tiered Avg. Fund Balances	Basis Points
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# IMS Prime Program Wrap Fee Brochure

\$0 - \$1 billion 5

\$1 billion plus 7

(The maximum annual payout for Schedule 1 is \$750,000)

## Schedule 2:

Average Fund Balances	Capital Reserve Class	Average Fund Balances	Daily Money Class
\$0 - \$500 million	60 basis points	\$0 - \$500 million	35 basis points
\$500 million - \$1 billion	65 basis points	\$500 million - \$1 billion	40 basis points
\$1 billion to \$2 billion	68 basis points	\$1 billion to \$2 billion	43 basis points
\$2 billion +	70 basis points	\$2 billion +	45 basis points

NFS pays Avantax an annual Correspondent Business Development Credit after renegotiating our current clearing agreement. The annual payments will be made through 2028. A potential conflict of interest exist because other custodians may not offer such a payment.

## Interest on Cash Debits

Avantax can choose to markup the interest charged on all cash debits in our Programs which would increase the amount of revenue we receive. This is a conflict of interest and will have a negative impact on the returns on these assets because your costs will increase as a result of the markup.

## Transfer Cost Credits

NFS will reimburse Avantax a portion of the transfer of accounts' fees and other costs and expenses which customers or AIS could incur in connection with the transfer of eligible accounts to NFS. The Transfer Cost Credit is \$20/account. Eligible accounts are IRA accounts held directly with a mutual fund company. This creates a conflict of interest as the transfer credit may be more than the costs and expenses born by AIS. The Transfer Cost Credit is not shared with clients or Advisors.

## Non-Purpose Loans – Non NFS Revenue

As a service to eligible customers, AIS provides access to a securities-backed non-purpose lending program offered by Goldman Sachs Bank USA (the "Bank"). Customers are not required to participate in the program, but if you choose to do so, you should be aware of the possible risks. A non-purpose loan allows borrowers to use the securities in their brokerage or advisory accounts as collateral for an extension of credit, the proceeds of which cannot be used for purchasing or trading securities. The customer's accounts must meet certain requirements, such as a minimum market value of assets in the account, before the Bank will approve the non-purpose loan. The requirements and approval or denial of credit is controlled by the Bank and AAS is not a decision-maker.

The Firm has certain conflicts of interest in offering this service to customers:



# IMS Prime Program Wrap Fee Brochure

## *Referral Fees*

As part of this Program, the Bank compensates AIS in the form of a Referral Fee, which is equal to 50 basis points (0.5%) of the average principal amount of all outstanding Program loans that AIS customers have through the program. This Referral Fee is paid from the interest you pay on your Program loans and, were AIS to agree to receive a lower Referral Fee, customers' interest rate would decline by that same amount. Were customers to take a loan from a different institution outside of this program, AIS would not receive a Referral Fee. Accordingly, the Referral Fee creates a conflict of interest between us and you. AIS does not share any portion of the Referral Fee with the Advisor.

## *Program Loans Secured by Investment Advisory Accounts*

When a customer takes a loan secured by securities in their advisory account, the securities remain in the advisory account, which means that AAS continues to receive advisory fees based on the full value of the securities that are eligible for billing purposes, with no reduction or offset for the value of securities that secure the loan. In contrast, if the customer were to liquidate the securities rather than borrow against them, AAS would no longer receive advisory fees based on the value of those securities and AIS would not receive a Referral Fee on the loan amount. Therefore, the payment of a Referral Fee and the lack of any reduction or offset against the total billable assets in the customer's investment advisory account incentivizes AIS and AAS to make this program available to customers. Furthermore, it is a conflict of interest for AAS and AIS to recommend that customers take a loan under this program rather than liquidate securities in their investment accounts.

## *Bank Deposit Sweep Program*

The cash balance in your Program Account(s) will be automatically deposited or "swept" into a core account investment vehicle. AAS currently offers one core account investment vehicle: the FDIC Insured Bank Deposit Sweep Program (BDSP or Sweep Program). The balance in your Program Deposit Account(s) will be included in the calculation of your Program Fee.

AAS has a conflict of interest with respect to the sweep program because AIS, our affiliate, receives fees under the Sweep Program based on the amount of cash swept into your core account investment vehicle. These fees are in addition to the Program Fee, which increases your cost of investing, and the money earned by Avantax. Because Avantax receives substantial fees from our clients' participation in the sweep program, AIS has a conflict of interest in offering sweep programs to you.

### **FDIC Insured Bank Deposit Sweep Program**

The Standard Bank Deposit Sweep Program ("Standard Bank Sweep Program") is a core account investment vehicle option, which if either selected by default or affirmatively elected, will be used to hold your cash balance before it is invested. The cash balance in your advisory account(s) will be automatically deposited or "swept" into interest-bearing FDIC insurance eligible Program Deposit Accounts at one or more FDIC-insured financial institutions ("Program Bank").

If you do not wish to participate in the BDSP, we generally will not be able to maintain your account.

The maximum amount of FDIC insurance coverage for your deposits is \$2.5 million (for an individual account) and \$5 million (for a joint account) at each Program Bank. If your deposits exceed these amounts in the Sweep Program, your assets will be held in multiple Program Banks. If you have other assets in the Program Bank, but outside of the Sweep Program, you must monitor the totals to ensure they do not exceed these maximum amounts. You will receive additional disclosures when you establish your account at a Program Bank, and we encourage you to read them carefully.

Your cash balances will be eligible for FDIC insurance once deposited into a Program Deposit Account held by a Program Bank. Your cash balance while held by NFS and/or AAS is not FDIC insured, but is covered by the Securities Investor Protection Corporation (the "SIPC"). Please visit [fdic.gov/deposit/deposits/index.html](https://fdic.gov/deposit/deposits/index.html) for additional information on FDIC insurance. For additional information on SIPC coverage, please visit [sipc.org](https://sipc.org). Funds deposited in FDIC programs are not eligible for SIPC coverage and conversely, funds covered by SIPC are not also covered by FDIC insurance.

The Sweep Program creates financial benefits for Avantax and NFS. Avantax will receive a fee based on the amount of cash in the Program Deposit Account from each Program Bank in connection with the Standard Bank Sweep Program. We do not share this

# IMS Prime Program Wrap Fee Brochure

fee with your Advisor, but we do pay a fee to NFS to participate in the program. The portion shared with NFS includes recordkeeping and other administrative fees. The fee we receive is in addition to the Program Fee and therefore increases your cost of investing.

The revenue generated by the Standard Bank Sweep Program may be greater than revenues generated by cash sweep options at other brokerage firms and may be greater than other core account investment vehicles currently available to you or possible core account investment vehicles options that you have used in the past or may consider using in the future.

Please see the Cash Sweep Disclosure Statement located at [avantaxwealth.com/sites/default/files/file\\_attach/standard\\_bank\\_deposit\\_sweep\\_program\\_disclosure.pdf](http://avantaxwealth.com/sites/default/files/file_attach/standard_bank_deposit_sweep_program_disclosure.pdf) for more information or you may ask your Advisor for a copy. This disclosure document contains current interest rates, the distinctions between the BDSP Program versions for natural persons and entities, a list of Program Banks, the way funds are allocated to Program Banks, and account eligibility information. Please read it carefully.

The rates of return under this option vary over time. Current rates can be obtained from your Advisor or by visiting [avantaxwealthmanagement.com/legal/cash-sweep-program](http://avantaxwealthmanagement.com/legal/cash-sweep-program). There is no guarantee that the yield under this program will remain higher than others over any given period. The rate of return on any sweep option is usually significantly lower than that of similar investments offered outside the Sweep Program.

Avantax will receive a monthly revenue share that varies and is based on the Targeted Federal Funds Rate (TFF). As interest rates increase, our portion increases. Our percent ranges from 13 to 50 basis points (0.13% to 0.50%) but will increase again when the TFF Rate is 1% or higher. This amount is inclusive of any interest to be passed through to Customer Accounts. The share shall be calculated against average daily Program assets on deposit at all Depository Institutions for the given calendar month and is tied to the TFF Rate. We do not share this revenue with your Advisor.

## Exceptions

The Money Market Mutual Fund Sweep Program is available for 401(k) accounts only and utilizes the Fidelity Government Cash Reserves Fund (FDRXX). ERISA qualified plan accounts are excluded from the Bank Deposit Sweep Program, as are discretionary managed SEP-IRA and Simple IRA accounts.

While you must use the BDSP, you may work with your Advisor to purchase other investments with your BDSP balances. These investments can be other cash alternatives, such as money market funds, or other non-cash investments as allowed under the advisory program you have chosen. Any advisory program managed by a third-party money manager or those where Avantax serves as the Portfolio Manager generally has restrictions on investment selections that can be made by you. This information is outlined throughout the applicable Disclosure Brochure. You should ask your Advisor if you have questions about this.

## Bank Deposit Sweep Program Conflicts

The yields in the Bank Deposit Sweep Program (BDSP) are significantly less than you can earn through products designed to provide higher yields for your cash balances. In exchange for this lower interest rate, your BDSP balances are eligible for FDIC insurance designed to protect you against the loss of your insured deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the U.S. government. Investment products such as money market funds pay a much higher rate of interest in many cases but are subject to market fluctuations and possible losses and are not FDIC insured. You may be subject to additional costs and delays in accessing your money market funds or other cash equivalent investments should you decide to invest in other investments and opt-out of the BDSP. You will also need to work closely with your Advisor to ensure your cash is invested since it will not automatically “sweep” to your chosen investments if invested outside of the BDSP. All fees earned by Avantax in the Sweep Program create a conflict of interest.

The BDSP has been and will be more profitable to us than other available sweep options, and Avantax retains much more of the interest you earn on BDSP balances than we will pay out to you. The revenue received by Avantax from the BDSP is significant and



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helps pay for the programs and services we offer to you. Avantax and/or NFS will also earn interest from the temporary investment of cash balances before they are deposited with the Program Banks, and Avantax and NFS will not share this interest with you.

## Credit Interest for Non-Sweep Cash Balances

For Accounts not electing a sweep option, Avantax will be eligible for credit interest on cash balances. NFS will credit Avantax with 50% of the National Financial Credit Rate less any amounts credited to Customer Accounts. Avantax and/or NFS will earn interest from this temporary investment of cash balances before they are deposited in the Sweep Program with the Program Banks, and Avantax and NFS will not share this interest with you.

## State Specific Disclosures

For California Residents: Subsection (j) of Rule 260.238 of the California Code of Regulations requires that all investment advisers disclose to you that lower fees for comparable services may be available from other sources.

For District of Columbia Residents: Section 1811.1 Subsection (j) of the DC Rules requires us to disclose that lower fees for comparable services may be available from other sources. Subsection (k) requires us to indicate that all material conflicts of interest that relate to us or to any of our employees, and that would cause us not to render unbiased and objective advice, have been disclosed to you in writing via the disclosure provided in this Form ADV.

For Massachusetts Residents: Massachusetts General Law Section 203A requires disclosure that information about the disciplinary history and the registration of us and our associated persons may be obtained by contacting the Public Reference Branch of the SEC at 202.942.8090, or by contacting the Massachusetts Securities Division at One Ashburton Place, 17th Floor, Boston, MA 02108 or at 617.727.3548.

## Assets Under Management

As of December 31, 2019, AAS managed \$16,378,452,956 of Client assets on a discretionary basis (62,288 accounts) and \$9,319,748,684 of Client assets on a non-discretionary basis (32,112 accounts) for a total of \$25,698,201,640 in assets under management and 94,400 accounts in its various advisory programs.

## Item 5 – Account Requirements and Types of Clients

### Account Requirements

IMS Prime is available for accounts with an initial value between \$5,000 and \$25,000. Once Client's IMS Prime Account grows past the \$25,000 account opening maximum, Client may transition Client's Account to another AAS IMS program at any time.

AAS may choose to waive these minimums at our sole discretion as circumstances dictate. The most common reason AAS waives these minimums is when additional deposits to meet the minimum are forthcoming.

### Types of Clients

AAS generally provides advisory services to individuals (other than high-net-worth individuals), high-net-worth individuals, corporations and other businesses, pension and profit sharing plans and charitable organizations. The majority of our clients are retail clients that fall under the category of "individuals (other than high-net-worth individuals)."

## Item 6 – Portfolio Manager Selection and Evaluation

Your Advisor will serve as portfolio manager for your IMS Prime program account.

Your account will initially be implemented into an asset allocation model with pre-selected ETFs. These asset allocation models range from ultra-conservative to aggressive growth and the asset allocation used for initial implementation will correspond with your risk profile. You and your Advisor may choose at any time to deviate from the initial allocation so long as the new allocation continues to correspond with your risk profile. Your Advisor may utilize the AAS created risk profile asset allocation models of ultra-conservative, conservative, growth, moderate, growth or aggressive growth when creating

# IMS Prime Program Wrap Fee Brochure

your portfolio. The process behind the construction of these risk profile asset allocation models is described later in this section.

## AAS Philosophy – Types of Advisory Service

AAS has long believed in the power of strategic asset allocation. Thus a large part of our firm's investment philosophy is based on the principle of diversification. Diversification simply means “not putting all of your eggs in one basket” or, in investment terms, keeping the fortunes of any single investment from having a significant impact on your own portfolio. While past performance is not a guarantee of future performance and diversification of assets does not always protect portfolios from losses, it is a central component of our investment thesis.

Therefore AAS believes that a proper understanding and application of a long-term strategic asset class allocation (e.g. different types of stocks and bonds) coupled with efficient diversification (the right amount of each security or asset class based on an investor's preferences) is the best way to pursue your investing goals. Most investors are better served by focusing on long-term saving objectives and must be disciplined and steadfast in the pursuit of growing and protecting their wealth to overcome the ravages of future inflation and uncertainty about one's own ability to spend their human capital during their working years.

## Due Diligence Process for AAS Asset Allocation Models

AAS's Portfolio Management Group (PMG) reviews the model inputs (expected returns, standard deviations and correlations) to verify the diversification contributions of each of the asset classes within the models. The PMG is comprised of experienced and credentialed investment professionals. At AAS, the PMG's recommendations for the IMS Select and IMS Unified Choice program are overseen by the AAS Investment Oversight Committee. The RMS Select Portfolios and the RMS Total 401(k) program is overseen by a different Investment Committee known as the RMS Investment Committee. The PMG is also responsible for recommendations to the RMS Investment Committee.

## Calculating Performance

Account performance is calculated utilizing a portfolio accounting system. The Modified Dietz method is used to calculate performance resulting in a time weighted rate of return. Performance is calculated when cash flows in or out exceed 10% of a portfolio's market value and/or from month to month. On a quarterly basis we will perform an audit and reconciliation of all portfolio performance returns. We do not conform to GIPS standards for performance reporting.

## Restrictions on Types of Investments

The only products available in this program are exchange traded funds.

## AAS Tailors our Advisory Services to the Individual Needs of Clients

Our IMS platform is designed to provide you with an orderly, disciplined approach to the investment process. IMS offers a personalized program for investing, with customized portfolios, access to world-class asset managers and consolidated account performance reporting.

AAS provides you with portfolio construction, asset management, and monitoring. Monitoring constitutes an ongoing process by which:

- Your investment objectives, constraints and preferences are identified and specified;
- Strategies are developed and implemented through combinations of financial assets;
- Capital market conditions and client circumstances are monitored; and
- Portfolio adjustments are made as appropriate to reflect significant changes in any or all of the above relevant variables.

You, assisted by your Advisor, complete a risk profile questionnaire (Questionnaire) in the form AAS provides. The Questionnaire describes your financial situation, investment objectives, time horizon, risk tolerance and investment preferences.

AAS asks that you promptly notify your Advisor of any material changes in the information furnished by you in the Questionnaire, including material changes to your financial situation, investment objectives, time horizon, risk tolerance or investment strategy.

# IMS Prime Program Wrap Fee Brochure

AAS uses the Questionnaire to provide services to you. Based on information in the Questionnaire, the Advisor and you will determine the appropriate risk profile type. AAS typically provides you with a Statement of Investment Selection ("SIS") based on the Questionnaire.

Our currently available Investment Management Solutions (IMS) risk profiles are designated as Ultra-Conservative, Conservative, Moderate, Growth and Aggressive Growth.

AAS may change the existing risk profiles or introduce new risk profiles from time to time. You may change IMS risk profiles whenever you like, including when your objectives or risk tolerance change.

## Wrap Fee Program

The IMS Prime Program is a "wrap fee" program in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the Client Fee.

For the investment advisory services provided to you by your IAR and us, AAS and your Advisor receive a portion of the annual Client Fee you pay when you participate in any managed account program through us, including the wrap fee program.

## Performance-Based Fees and Side-By-Side Management

AAS does not charge performance-based fees.

## Risk of Loss

Investment portfolios, programs, models, asset allocations, or strategies entail the risk of loss; and values and returns will fluctuate over time. While AAS seeks to limit any losses, there have been periods of loss in the past, and there will likely be periods of loss in the future.

AAS and our Advisors emphasize that investment returns, particularly over shorter time periods, are highly dependent on trends in the various investment markets. Thus, our investment management services are generally suitable only for long-term investment objectives or strategies, rather than for short-term trading purposes.

Neither diversification nor asset allocation assure a profit or protect you against a loss, and there is no guarantee that your investment objectives will be achieved.

Our programs, portfolios, models, asset allocations and strategies are not FDIC insured and the investments in them may lose value.

All investment programs have certain risks that you bear. Our investment approach regularly keeps the risk of loss in mind. You face investment risks including:

- Interest rate risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market risk: The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Inflation risk: The risk is that the rate of inflation will exceed the rate of return on an investment.
- Currency risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Reinvestment risk: This is the risk that future proceeds from investments may have to be reinvested at potentially lower rates of return (i.e. interest rate). This is primarily related to fixed income securities.

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- **Business risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They generally carry a higher risk of profitability than an electric company, which may generate much of its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders or investors are frequently buying or selling that type of asset. For example, Treasury bills are highly liquid, while real estate properties are not.
- **Financial risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in cash crises, bankruptcy and/or declining market value.
- **Credit Risk:** Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.
- **Risks of investing outside the U.S.:** Investments in securities issued by entities based outside the United States may be subject to the risks described above to a greater extent. Investments may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation (occurs when governments take away a private business from its owners); changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

There are risks inherent in all financial decisions and transactions. There is no guarantee that your investment objectives will be achieved.

Neither AAS nor our Advisors make any promises, representations, warranties or guarantees that any of our services to be rendered will result in a profit to you. AAS does not guarantee the future performance or any specific level of performance, the success of any investment decision or strategy that AAS or an Advisor may use or the success of our overall management.

Investment decisions that you make or that AAS will make for you are subject to various market, currency, economic, political and business risks. Our and your investment decisions will not always be profitable.

AAS and our Advisors will not be liable for any loss incurred with respect to your account, except where such loss directly results from such party's negligence or malfeasance. Nothing in this section is intended to be a waiver of any right of action you may have under applicable securities laws or your rights in the event AAS or any of our Advisors breach any fiduciary duty owed to you.

## Voting Client Securities

With regard to the IMS Prime program, neither AAS nor Advisors will vote or give advice about how to vote proxies for securities held in your account. All proxy voting material will be forwarded to you for direct action.

## Item 7 - Client Information Provided to Portfolio Managers

Information provided through your account opening paperwork helps your Advisor understand your goals, objectives and financial situation so that recommendations can be made to assist in meeting your financial goals.

## Item 8 - Client Contact with Portfolio Managers

Your Advisor is responsible for delivering investment advisory services to you, and clients generally deal with matters relating to their accounts by contacting their Advisor directly.

# IMS Prime Program Wrap Fee Brochure

Our internal operations team will be made available to you and our Advisors for consultations regarding any of the asset managers through our principal office at 6333 State Hwy 161, Fourth Floor, Irving, TX 75038, telephone 972-870-6000.

## Item 9 – Additional Information

### Disciplinary Information

In the last ten years, neither Avantax nor any of our management personnel have been charged with or convicted of a felony or misdemeanor. In the last ten years, neither Avantax nor any of our management personnel have been the subject of disciplinary action by the Securities and Exchange Commission, the Commodity Futures Trading Commission or any other federal or state regulatory or foreign financial regulatory agency.

### Other Financial Industry Activities and Affiliations

#### Affiliated Broker-Dealer

AAS has an affiliated broker-dealer called Avantax Investment Services, Inc. In our industry, affiliated means “under common ownership or control.” The majority of our management persons and investment adviser representatives are also registered representatives (“RR”) of this affiliated broker-dealer. Depending upon the securities registrations held by each individual RR, our RRs offer a variety of securities and investments to their clients, including, but not limited to, mutual funds, Section 529 college savings plans, variable annuities, individual stocks and bonds, options, LPs, unit investment trusts, REITs, alternative investments, and a variety of other securities and insurance products approved for sale by Avantax Investment Services, Inc. Our principal executive officers devote approximately 50% of their time to brokerage activities and 50% of their time to investment advisory activities. Our affiliated broker-dealer has a fully disclosed clearing arrangement with NFS.

#### Material Relationships or Arrangements

AAS executes substantially all trades through Avantax Investment Services, Inc., our affiliated broker/dealer.

As part of the IMS programs offered to you, Avantax Investment Services, Inc. provides brokerage execution services to our advisory clients. AAS and our Advisors make securities recommendations to you (or, in the case of discretionary services, make investment decisions for you) regarding our IMS programs. Where permitted by law, Avantax may receive mutual fund 12b-1 fees, service fees, due diligence fees, marketing reimbursements, or other payments relating to your investment in or otherwise supporting our activities regarding the securities products recommended, purchased, or held in your IMS account. **As a general matter, AAS credits the mutual fund 12b-1 fees it receives back to the client accounts paying such 12b-1 fees.** To the extent AAS is the registered investment adviser or sponsor to your IMS program, AAS receive compensation for our services. You should be aware that these fees, payments, and other compensation presents a potential conflict of interest because AAS does have a greater incentive to recommend those investment advisory products or programs or make investment decisions regarding investments that provide such additional compensation to us.

NFS is the custodian of your account. We pay an asset-based fee to NFS based on average daily balances in all IMS accounts. The asset based fee we pay NFS does not apply to the following asset classes: NTF Funds, iNTF Funds, Fidelity Retail Funds, Cash and Cash Equivalents, variable and fixed annuity contracts sold through the NTF Annuity Processing Program and Non-Standard Assets, which include but are not limited to Foreign Securities, Alternative Investments, and Non-Marketable Securities. We can and do utilize these products in our accounts. A potential conflict of interest exists as AAS has a financial incentive to use these products over other products that are assessed the asset-based fee.

Broker-dealer trading practices in the United States are regulated through the Financial Industry Regulatory Authority, Inc., or FINRA. FINRA is a private non-governmental organization that performs financial regulation of member broker-dealers and exchange markets. Under FINRA Rule 3280, registered representatives of Avantax Investment Services, Inc. are limited to executing transactions through their broker-dealer, Avantax Investment Services, Inc. You are advised that a conflict of interest exists because the broker-dealer receives compensation on these transactions.

#### National Financial Services LLC is our Primary Custodian

Assets are custodied through NFS.



# IMS Prime Program Wrap Fee Brochure

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## Independent Registered Investment Advisers

Some of our Advisors are also owners or Advisors of their own or other's registered investment advisory firms. The clients to whom they offer our advisory services are frequently the same to whom they offer financial planning services. These financial planning services, separate from our Seasonal Planning program, are offered for compensation. This compensation is paid to the independent Registered Investment Adviser and Avantax receives no portion of this compensation. You are not obligated to use any of these individuals to provide financial planning services.

## Accounting Firm

Our advisors may be separately licensed as accountants and may offer accounting services to advisory clients for compensation. This compensation is paid to the accounting firm. Avantax receives no portion of this compensation. You are not obligated to use any of these individuals to provide accounting services.

## Law Firm

Our advisors may be separately licensed as attorneys and, as such, may offer to provide legal advice for compensation. This compensation is paid to the law firm. Avantax receives no portion of this compensation. You are not obligated to use any of these individuals to provide legal services.

## Insurance Company or Agency

Some of our Advisors are agents and/or brokers of various insurance companies. Some individuals are able to effect insurance recommendations if you elect to have insurance recommendations implemented. These individuals receive compensation for insurance and/or annuity implementation. This compensation is paid to the agent. AAS receives no portion of this compensation. You are not obligated to use any of these individuals for insurance product purchases.

AAS is related through common ownership to Avantax Insurance Services and Michael Pagano, General Agent. Avantax Insurance Services is a licensed insurance agency and may receive commissions in connection with the sale of fixed insurance products by Advisors who are licensed to sell these products. Avantax Insurance Services, in addition to receiving commissions on the sale of these insurance products, receives payments from certain insurance sponsors for marketing, training and education, and distribution support.

## Pension Consultants

Our advisors may offer pension consulting services to advisory clients for compensation. This compensation is paid to the individual providing the pension consulting services or an organization employing that individual. Avantax receives no portion of this compensation. You are not obligated to use any of these individuals for pension consulting services.

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

### Code of Ethics

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, AAS has adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you. Our Code of Ethics is designed to ensure that AAS meets our fiduciary obligations to you and to foster a culture of compliance throughout our firm.

Our Code of Ethics is comprehensive and is designed to help us detect and prevent violations of securities laws and to help ensure that AAS keeps your interests first at all times. AAS distributes our Code of Ethics to each supervised person at our firm at the time of his or her initial affiliation with our firm; AAS makes sure it remains available to each supervised person for as long as he or she remains associated with our firm; and AAS ensures that updates to our Code of Ethics are communicated to each supervised person as changes are made.

Our complete Code of Ethics is available by submitting a request in writing to Avantax Advisory Services, Inc., 6333 State Hwy 161, Irving, TX 75038 or by email to [compliance@Avantax.com](mailto:compliance@Avantax.com)

### Participation or Interest in Client Transactions and Personal Trading

Generally, Avantax does not buy or sell securities for our own account that Avantax recommends to (or purchase or sell for) you. Our Advisors, however, may purchase or sell for their own accounts securities or other investment products that are

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also recommended to you, which may create a conflict of interest. Avantax always give a higher priority to your transactions than our own transactions. When Avantax or an Advisor recommend trades to you, and Avantax, the Advisor or related persons also plan to buy or sell the same security, Avantax gives you the opportunity to decide on the recommendation and place a trade before Avantax or a related person executes a trade in the same security. Also, if Avantax or a related person has a trade to place for a personal account and trades to place for your accounts, the trades for you are always placed before the trades for us or related persons. Avantax has implemented surveillance and exception reports designed to identify and correct situations in which the personal securities transactions of Advisors are placed ahead of yours.

## Blucora's Insider Trading Policy

Blucora's Insider Trading Policy prohibits any Blucora employee who is aware of material non-public information concerning Blucora, or concerning third parties with whom Blucora does business, from buying or selling securities of Blucora or of those third parties until after the material information has been fully disclosed to the public. In addition, Blucora Personnel are also prohibited from disclosing material non-public information to others who then trade based on that information or making recommendations or expressing opinions as to transactions in securities while aware of material non-public information (which is sometimes referred to as "tipping"). All trading of Blucora securities should be done in accordance with Blucora's Insider Trading Policy, and Blucora Personnel are expected to adhere to any blackout restrictions and pre-approval requirements for trading in Blucora's Insider Trading Policy.

## Brokerage Practices

### General

AAS renders investment advice to the majority of our IMS platform advisory clients on a discretionary basis, pursuant to written authorization granted by you. The majority of our advisory clients must select Avantax Investment Services, Inc., an affiliated broker-dealer under common ownership, as the broker-dealer of record for their IMS managed accounts. Avantax maintains a clearing relationship for the execution of client transactions with NFS.

Our clients do not generally have the option to direct securities brokerage transactions to other broker-dealers or other account custodians. If, however, AAS were to approve the use of a broker-dealer other than NFS for the execution of securities transactions, you should be aware that AAS will generally be unable to negotiate commissions or other fees and charges for your account, and AAS would not be able to combine your transactions with those of other clients purchasing or selling the same securities (batched trades), as discussed further below. As a result, AAS would be unable to ensure you receive "best execution" with respect to such directed trades. AAS may also be unable to provide timely monitoring of transaction activity or provide you with quarterly performance reporting.

Not all investment advisers who have affiliated broker-dealers require you to use their broker-dealer to execute securities transactions. While our affiliated broker-dealer is able to negotiate competitive pricing with NFS that it believes is beneficial to you, AAS does receive an economic benefit from using our affiliated broker-dealer for our IMS platform accounts rather than an unaffiliated broker-dealer. For example, Avantax adds our own costs to certain charges applied to your IMS accounts by NFS. Avantax also maintains a core account sweep program with NFS. This program creates financial benefits for Avantax and NFS as described in *Additional Compensation* in Section 5 – Fees and Compensation. This additional compensation received by our affiliated broker-dealer creates a conflict of interest with you. Additionally, even though AAS monitors the execution quality of our affiliated broker-dealer to ensure you receive the best combination of net price and execution, it is possible that better execution on a given transaction may be obtained from other sources. Execution quality can have an effect on the amount you pay for a given transaction. Favorable execution results in lower costs and unfavorable execution results in higher costs.

AAS will not participate/vote in class action lawsuits on your behalf.

### Best Execution

AAS seeks to obtain, through our affiliated broker-dealer and clearing firm, the best combination of net price and execution when offering brokerage transactions for your account(s). AAS will periodically and systematically review NFS' execution quality and our own processes to ensure we continue to meet our best execution obligations for you.

A number of judgmental factors are utilized by us in analyzing overall trade execution quality. Such factors include, but are not necessarily limited to:



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- The nature of the securities being purchased or sold;
- Access to market participants, which may be limited due to little or no trading activity for a particular security;
- The size of the transaction;
- The speed of the transaction;
- The ability to obtain price improvement;
- The desired timing of the transaction;
- The activity existing and anticipated in the market for the particular security;
- The execution, clearance, and settlement capabilities of the executing broker-dealer;
- The overall trade execution quality of the executing broker-dealer as compared with other leading executing broker-dealers;
- The executing broker-dealer's financial stability and industry reputation; and
- The efficiency and reliability of the executing broker-dealer's systems and technologies.

## Batched or Aggregated Trades

Because our Advisors generally manage your account(s) independently of other client accounts based on each client's specific needs and objectives, transactions for your account and other client accounts are often executed independently. When Advisors believe it is appropriate or beneficial to do so, however, they will often aggregate the purchase or sale of multiple clients' securities together to facilitate best execution, reduce overall costs, or provide each client with the same execution price. Aggregating multiple client orders together is particularly useful when AAS or your Advisor are utilizing model portfolio management strategies.

AAS and our Advisors effect batched transactions in a manner designed to ensure that no participating client obtains a more favorable execution price over any other client. When AAS or your Advisor aggregate multiple client orders, transactions are typically allocated pro rata to the participating client accounts in proportion to the size of the order placed for each account. AAS or your Advisor may, however, increase or decrease the amount of securities allocated to each account, if necessary, to avoid holding odd lot or small numbers of shares for particular clients. Additionally, if AAS is unable to fully execute a batched transaction and AAS determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro rata basis, AAS may allocate such securities in a manner determined in good faith to be fair and equitable to the clients involved.

## Soft Dollars

Investment advisers may direct portfolio brokerage commissions to a particular broker-dealer in return for services and research used in making investment decisions in your account(s). The commissions used to acquire these services and research is known as "soft dollars." Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

AAS does not receive research or other products or services other than execution from any broker-dealer or other third party.

## Brokerage for Client Referrals

AAS does not consider, in selecting or recommending broker-dealers, whether Avantax or any related person receives client referrals from the broker-dealer.

## Directed Brokerage

AAS does not recommend, request or require that you direct us to execute transactions through a specified broker-dealer. As noted earlier, AAS directs most of our trades to our affiliated broker-dealer, Avantax Investment Services, Inc.

## Trade Errors

In all circumstances involving trade errors caused by AAS, clients are "made whole." If the correction of the trade error by the firm results in a loss, AAS is responsible for that loss. If the correction of the trade error by the firm results in a gain, AAS will retain the gain.

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In instances where multiple trades are corrected at the same time for the same client, the firm will net the results of each correction against each other. Gains received during these corrections may be used to offset losses resulting from other corrections within the total trade error correction.

## Review of Accounts

Advisory activities are supervised in several ways at various stages of the client relationship by compliance and operations staff. Prior to implementation, the paperwork is reviewed by our staff to ensure the account is being established in accordance with your stated objectives and tolerance for risk. A subsequent client account review may be triggered by material market, economic or political events, a change in your investment profile, a client inquiry or a change in tax law. Additionally, our staff will periodically review your accounts to identify situations that may call for a more detailed review or a specific action be taken on your behalf. AAS utilizes a series of surveillance, exception, trade, and other transaction reports that are designed to help facilitate the ongoing review of our managed accounts. In addition, our Advisors provide continual and regular investment advice or investment supervisory services to you, routinely review your portfolios, and are responsible for communicating with you at least annually.

IMS Prime program accounts utilize an automatic rebalance process designed to assure alignment with your stated asset allocation.

## Client Referrals and Other Compensation

AAS and/or our Advisors may receive client referrals from outside solicitors (usually attorneys, CPAs or other professionals). The AAS Strategic Alliance Program is a referral program designed to compensate outside professionals or firms, such as attorneys, accountants, or other broker/dealers and investment advisers, for referring your advisory business to AAS and your Advisor. These professionals or firms are known as "solicitors." If your advisory account is referred by a solicitor to AAS or your Advisor, AAS will pay a portion of the advisory fee earned by your advisor to the solicitor, typically for as long as you maintain an advisory relationship with us, to compensate the solicitor for the referral. AAS will not charge a client who is referred to AAS by a solicitor any amount for the cost of obtaining the client that is in addition to the fee normally charged by AAS for its investment advisory services. The amount of this compensation, however, may be more than what the solicitor would receive if the client participated in our other programs or paid separately for investment advice, brokerage, and other services. The solicitor, therefore, has a financial incentive to recommend one or more of AAS's wrap fee programs over other programs or services, including non-advisory programs and services, that may be available to the client for which the solicitor would not receive referral compensation. Such solicitation arrangements are disclosed to clients at the time of the solicitation via execution of a Solicitor Disclosure Statement or similar document that outlines the nature and amount of the compensation we pay to the solicitor and whether or not the solicitor is affiliated with or related to AAS. Solicitors are required to provide prospective clients with a current copy of AAS's Form ADV Part 2 no later than the date on which the client enters into an advisory relationship with AAS and the Advisor. For all solicitation activities involving government activities, Rule 206(4)-3(e) of the Advisers Act subjects such solicitation activities to the additional limitations of Rule 206(4)-5. Rule 206(4)-5(a)(2)(i), in turn, prohibits investment advisers from paying any person to solicit a government entity for investment advisory services unless that solicitor is either: a regulated person, or an executive officer, general partner, managing member, or employee of the investment adviser. **Solicitors participating in the Strategic Alliance Program are prohibited from soliciting government entities.**

AAS and your Advisor may serve as solicitors for third-party investment advisers. AAS and our Advisors are compensated for referring your advisory business to these third-party investment advisers. This compensation generally takes the form of the third-party investment adviser sharing with your Advisor and us a portion of the advisory fee the third-party investment adviser charges you for providing investment management services. AAS and your Advisor, therefore, have a conflict of interest to refer clients to those third-party investment advisers that pay referral fees to us or to your Advisor rather than those that don't. Additionally, AAS and your Advisor have a conflict of interest when referring clients to those third-party investment advisers that pay higher referral fees over those that pay lower referral fees.

## Custody

Avantax Investment Services, Inc., our affiliated broker-dealer, is the broker-dealer of record. When you establish an advisory account with Avantax Investment Services, Inc. as the broker-dealer of record you will receive custodial statements directly from NFS. NFS will provide you with a custodial statement on a monthly or quarterly basis depending on activity in

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the account, which will include a detail of account activity during the month or quarter (including account holdings, contributions and withdrawals, and the value of the account at the beginning and end of the period).

NFS will also provide you with confirmations of the activity in the account.

AAS provides portfolio performance reports to Advisors for distribution to you quarterly. These reports are usually prepared not later than 20 business days after the end of each calendar quarter.

All performance reports are electronically audited for accuracy prior to being provided to Advisors for distribution to you. The electronic audit process is designed to identify issues such as asset allocation discrepancies, account reconciliation irregularities, and unusual performance for the overall portfolio as well as specific asset classes. Reports that do not pass the audit process are reviewed and if necessary corrected before being provided to Advisors for distribution to you. The audit process cannot and will not correct all reconciling exceptions.

You should carefully review the account statements that you receive from NFS. You should also compare any statements you receive from us with the statements you receive from NFS. Please note that Envestnet reports trades as of the trade date and NFS reports trades as of the settlement date. For this reason, some trades may appear on your Envestnet reports that are not yet reflected on your NFS custodial statements. Comparing statements will allow you to determine whether account transactions, including deductions to pay advisory fees, are proper. Please let us know if you are not receiving custodial statements directly from NFS, LLC.

Avantax Investment Services, Inc., our affiliated broker/dealer, is a related person of us. A related person is a person or entity that is under common ownership or control with us. Employees of Avantax Investment Services, Inc. perform operational duties to service client accounts of ours. These duties include the processing of client check requests and the receipt of securities for prompt delivery to our custodian, NFS. Check requests must be made in writing by you via a letter-of-instruction and will only be processed for non-IRA accounts. Check requests for IRA accounts are processed by our custodian, NFS. Based on your written instructions, our staff will process the check request and mail the check to your address of record. You may also send securities, in the form of stock certificates, to Avantax Investment Services, Inc. for processing. Our staff will process and promptly forward the certificates to our custodian, NFS, for deposit into your account. AAS is deemed to have custody since our related person, Avantax Investment Services, Inc. performs these operational functions for you.

## Investment Discretion

AAS provides investment advice to the majority of our managed account clients on a discretionary basis, pursuant to written authorization granted by you, to us and your Advisor.

Your IMS Prime account will be a discretionary account for which the Advisor need not seek your approval prior to purchasing or repositioning assets. The use of discretion requires specific written approval from us. In addition, you must provide written authorization to allow your Advisor to utilize discretion in the account. This is accomplished through the Investment Advisory Agreement. Neither AAS nor any Advisor will have the authority to withdraw funds or securities from your account other than for payment of quarterly management fees as agreed to in writing by you.

## ERISA Section 408(b) (2) Disclosures

When AAS is engaged to provide investment advisory services through the IMS or RMS platforms on behalf of a client that is subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), AAS is a "covered service provider" to the plan for purposes of ERISA Section 408(b)(2) and the regulations thereunder. This Brochure, the ERISA Section 408(b)(2) Disclosure, and the disclosures included in the investment advisory agreement between the ERISA client and AAS are intended to provide certain fee disclosures in accordance with the requirements under ERISA Section 408(b)(2).

## Financial Information

Not applicable.

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## Appendix: Schedule 1 Revenue Sharing Partners

<b>Mutual Fund / ETF Sponsors</b>	<b>Annuity / Insurance Carriers</b>	<b>Alternatives / Direct Participation Sponsors</b>	<b>Other Business Partners</b>
AM Funds	AXA	AEI	AAM
Columbia	AIG	APX Energy	AEI
Davis	Athene	Blackstone	Allegiance
Delaware	Allianz	CNL Securities	BOK Financial
Deutsche	Brighthouse	FS Investments	First Trust
Dreyfus	Lincoln	Hines Securities	
Franklin Templeton	Nationwide	Inland Securities	
Invesco	Protective	Jones Lang LaSalle	
John Hancock	Saybrus	Mewbourne	
Hartford	Transamerica	Penn Square	
Legg Mason	Sammons	SmartStop	
MFS	Global Atlantic	Waveland	
Pioneer	New York Life		
Prudential (PGIM)	Integrity		
Sammons	Jackson National		

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Virtus	Symetra		
Wisdom Tree			

\*Note that not all sponsors listed consider assets in advisory programs as a criteria for payments.