

# Appendix I

## Wrap Fee Program Brochure

Resources Investment Advisors, LLC

(Wealth Management Division)

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This Wrap Fee Program Brochure provides information about the qualifications and business practices of Resources Investment Advisors, LLC ("Resources"). If you have any questions about the contents of this Brochure, please contact us at 877-742-2021. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities authority.

Resources is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information from which you can determine whether to hire or retain an adviser.

## **ITEM 2      MATERIAL CHANGES**

This Brochure, dated March 30, 2020, represents the annual update to the firm's brochure.

Resources began sponsoring its wrap fee program to enable newly registered advisers to more easily transition clients who were not accustomed to paying transaction costs because their accounts were held in another adviser's wrap fee program. Clients utilizing Resources' wrap fee program were required to custody their accounts at Charles Schwab & Co., Inc. ("Schwab"). However, in the fourth quarter of 2019, Schwab announced it would no longer charge a fee for online trades of stocks and exchange-traded funds ("ETFs").

As a result, the central purpose of Resources' wrap fee program – shielding clients from the cost of trades in their accounts – was effectively eliminated. Therefore, Resources instructed those investment adviser representatives utilizing its wrap fee program to move their clients into the firm's traditional program. This process began in the fourth quarter of 2019 and is continuing into 2020.

Resources does not expect to permit its investment adviser representatives to add new accounts to its wrap fee program unless Schwab and other custodians utilized by Resources reverse their prior pricing decisions and begin charging transaction fees for online trades again.

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## **ITEM 4            SERVICES, FEES AND COMPENSATION**

### **Services and Fees**

Resources sponsors a wrap fee program to assist with the transition of clients whose investment adviser representative has moved his or her registration to RIA. Specifically, the wrap fee program is designed to transition clients who were not accustomed to paying transaction fees because their accounts were in a wrap fee program sponsored by or through their prior investment adviser. Therefore, Resources developed a wrap fee program through an arrangement with Schwab, a securities broker-dealer (member FINRA and SIPC) that provides custodial, brokerage, and administrative services to Resources' investment advisory clients.

Clients participating in the wrap fee program will be charged a single fee ("Program Fee") to cover both investment advisory services and the cost of executing securities transactions in their accounts. Therefore, unlike participants in Resources' traditional program, clients participating in the wrap fee program will not be charged brokerage commissions, markups, or transaction charges for the execution of each transaction in their accounts. Instead, those costs will be deducted from Resources' portion of the Program Fee.

Resources typically bases its annual advisory fee on a percentage of the total value of the assets in all accounts managed by Resources in client's household. However, Resources does not utilize a uniform fee schedule. Instead, the firm's investment adviser representatives have the flexibility to establish a fee schedule for each client based upon the total assets contained in the client's accounts, the types of investments held in the accounts, and the amount of time the representative believes he or she will need to spend in managing the accounts, so long as it does not exceed 1.75% of the assets under management.

Client accounts in Resources' wrap fee program will typically be managed by Resources' investment adviser representative, but could also be managed by Resources' Portfolio Management Team. If the account is managed by an investment adviser representative, Resources will require the account to be enrolled in account management service (Orion) so it can monitor the account and calculate the Program Fee. Resources will also require the investment adviser representative to cover the cost of that service. However, the adviser representative can choose to pass along all, or a portion, of that fee to the client. In that event, this additional fee will be designated on the client's investment management agreement. If the account is managed by Resources' Portfolio Management Team, it will reduce the percentage paid to the investment adviser representative and use those additional funds to cover the cost of the account management service.

Resources will calculate the applicable Program Fee and forward its calculations to Schwab, which deducts that amount from the client's account and send it to RIA. Because the Program Fee is based upon the assets in the client's account each quarter (an amount that will likely change from quarter-to-quarter), clients should understand the stated percentage is not intended to represent an annualized fee applicable to the average total of assets within the accounts during a calendar year. Resources combines multiple accounts from within a household for purposes of determining the applicable breakpoints if a tiered fee schedule is used. Resources collects its advisory fee in advance of the quarter in which the investment advice is given. If the management agreement is terminated before the end of the quarterly period, Resources will provide the client a prorated refund of any pre-paid quarterly Program Fee based on the number of days remaining in the quarter following the termination date.

### **Important Things to Consider About Fees in a Wrap Fee Program Account**

Because the Program Fee includes the estimated cost of the execution of transactions and other administrative and custodial services, the wrap fee program could cost the client more than paying an advisory fee plus the actual trading costs for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the:

- type and size of the account
- historical and or expected size or number of trades for the account, and
- number and range of supplementary advisory and client-related services provided to the client.

Because Schwab now offers no fee online trades for stocks and ETFs, clients in Resources' wrap fee program will likely pay a higher overall amount for Resources' management of their accounts than they would if they paid the cost of transactions in their accounts in addition to Resources' advisory fee. In addition, the Program Fee will likely be higher than the cost of holding investments in a traditional brokerage account. In a brokerage account, a client is charged a commission for each transaction, but the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a brokerage account rather than a wrap fee program account. Alternatively, Clients should consider the level and complexity of the advisory services to be provided when negotiating the Program Fee with the investment adviser representative.

The investment products available to be purchased in the wrap fee program can also be purchased by clients outside of a wrap fee program account, including through other broker-dealers or investment firms, and Resources' Program Fee may be higher than the fees charged by other firms for similar services.

### **Additional Fees**

The Program Fee does not include charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

There are other fees and charges that are imposed by the applicable custodian that apply to investments in wrap fee program accounts. For example, the custodian may charge fees related to a wrap fee program account in addition to the Program Fee. Those fees will be disclosed in the custodial agreement between the custodian and the client.

### **Compensation received by Resources and its Investment Adviser Representatives**

The investment adviser representative recommending the wrap fee program receives a percentage of the Program Fee. Because the Program Fee includes the estimated cost of transactions in the client's account, it is generally higher than the advisory fee charged in Resources' traditional platform. In that case, the amount the investment adviser representative will receive from clients participating in Resources' wrap fee program will be higher than the amount the investment adviser would receive if the client participated in Resources' traditional program. In addition, the Program Fee can be higher than the amount a client would pay separately for investment advice, brokerage, and other services. As a result, the investment adviser representative has a financial incentive to recommend Resources' wrap fee program over other programs and services.

## **ITEM 5 ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

As noted, above, Resources' wrap fee program was designed to assist clients who participated in a wrap fee program through their prior investment adviser. However, given that Schwab and other custodians have moved to zero fee online trading for stocks and ETFs, there is no apparent justification for maintaining a wrap fee program. As a result, Resources has instructed its investment adviser representatives to move their clients out of its wrap fee program to its traditional program and is discouraging them from enrolling new clients to its wrap fee program unless a valid reason can be provided.

## **ITEM 6      PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **Selection of Portfolio Managers**

In addition to being the sponsor of the wrap fee program, Resources is also responsible for the investment advice and management offered to clients participating in the program. Clients' accounts will be managed by Resources' Portfolio Management Team, an investment adviser representative, or a third-party asset manager ("TAMP").

### **Conflicts of Interest**

Clients should be aware Resources' investment adviser representatives are no longer charged for the vast majority of transactions in their accounts. Therefore, there is no apparent justification for clients to participate in Resources' wrap fee program.

### **Portfolio Management**

Resources provides investment advisory and management services to individual and institutional clients. The services provided under Resources' wrap fee program, are the same as those offered under its traditional program in which clients are charged for transactions made in their accounts. This includes ongoing investment management of the assets in the client's account.

Although some clients choose to manage their own accounts and use Resources solely for providing investment advice, most clients' accounts are managed by the firm on a discretionary basis. When Resources manages clients' accounts on a discretionary basis, it has the authority to make trades within those accounts without the clients' prior consent. However, the firm's investment management services are tailored to the individual needs of each client. That process begins by conducting an initial meeting with clients to determine their personal goals regarding each account and conducting a risk assessment profile to determine how much investment risk they are willing to incur. Based upon those considerations, clients will generally be categorized into an appropriate investment strategy.

However, clients can impose specific restrictions on investing in certain securities or types of securities on their investment management agreement and are reminded to notify the firm of any new restrictions on a quarterly basis. In addition, Resources' investment adviser representatives hold investment review sessions with clients to discuss any adjustments clients desire to make to the investments in their accounts.

The investment strategy utilized by Resources' Portfolio Management Team and most of its investment adviser representatives is consistent with the tenets of Modern Portfolio Theory and is intended to reduce risk and volatility by building globally diversified portfolios. To implement this strategy, Resources typically recommends the use of no-load mutual funds, ETF's, government securities,

individual stocks and bonds, and other types of securities. In addition, some of Resources' investment adviser representatives utilize a TAMP to manage all or certain market segments to build a diversified portfolio.

As part of its management of a client's account, Resources' investment adviser representative can choose to use a TAMP to allocate either all or certain segments of the client's investments. In that case, Resources' investment adviser representative has discretion to determine which TAMP and/or which strategy will be used to manage the client's investment, including discretion to change those selections at any time. These TAMPs are not related entities of RIA. If the investment adviser representative utilizes a TAMP to manage all or any part of the client's account, the client will likely be required to enter into a separate agreement with the TAMP.

Resources does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client), and consequently does not simultaneously manage performance based and non-performance based accounts.

Resources will not accept authority vote on securities held in client accounts (i.e., proxy requests). In addition, it generally does not take any action or render advice with respect to the voting of proxies, unless it believes the advice is appropriate and necessary.

#### **ITEM 7            CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

As noted above, Resources serves as both the sponsor and primary portfolio manager for its wrap fee program. As a result, Resources has no disclosures to make under this section.

#### **ITEM 8            CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Resources does not place any restrictions on a clients' ability to contact and consult with it or any of its investment adviser representatives as the portfolio manager for the wrap fee program.

#### **ITEM 9            ADDITIONAL INFORMATION**

##### **Disciplinary Information**

Resources and its "management persons" are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the firm or the integrity of its management, such as criminal convictions or violations of securities laws. (A "management person" is generally defined as any of the firm's principal executive officers and members of the firm's investment committee.) Neither Resources nor any of its executive officers and investment committee members



are currently subject to, or have ever been subject to, any material events resulting from legal or disciplinary action. The investment adviser representatives working on a client's account are also required to disclose any such events in their biographies, which are provided to clients in a separate document (ADV Part 2B).

### **Other Financial Industry Activities and Affiliations**

As a result of its recent acquisition of certain firms, some of its investment adviser representatives are now employees of Resources, while the remainder are employed by, or acting as independent contractors for, independent financial services firms that operate under their own brand name. Because those independent financial services firms are not licensed investment advisers, their employees and independent contractors register through Resources to provide their investment advisory services. Therefore, even though those investment adviser representatives are not employees of Resources, it is statutorily responsible for supervising their investment advisory activities and is directly liable for any investment advice they provide.

Some of Resources' investment adviser representatives and its Chief Compliance Officer are also registered representatives of Triad and, in that capacity, could recommend securities transactions for individuals or entities who are also clients of Resources. In that event, Triad will pay these individuals a portion of the brokerage commissions received for products they sell. However, because this creates a conflict of interest, if Triad is the broker for a plan for whom Resources is providing investment advice, neither Resources nor its investment adviser representatives are permitted to receive any brokerage commissions generated from the plan's investments, except to the extent those commissions are used to offset Resources' advisory fee.

Some of Resources' investment adviser representatives are licensed insurance agents and, in that capacity, could recommend insurance transactions, such as fixed, variable, or group annuities, for individuals or entities who are also clients of Resources. The recommendation by Resources' investment adviser representatives regarding the purchase of a securities and/or insurance commission product presents a conflict of interest, as the receipt of commissions will provide an incentive to recommend investment products based on commissions received. No client is under any obligation to purchase any commission products from Resources' investment adviser representatives. Clients are reminded that they can purchase investment products recommended by one of Resources' investment adviser representatives through other, non-affiliated broker dealers or insurance agents.

Resources has relationships with entities that have agreed to provide referrals of potential retirement plan clients for compensation, which creates a conflict of interest. However, before Resources will pay a referral fee, it will enter into a solicitor's agreement with that entity or individual and require the

solicitor to provide each prospective client with a solicitor's disclosure form, which details the arrangement, including the fee the solicitor will receive.

In addition, Resources has entered into agreements with unaffiliated third parties to either receive or provide services as a sub-contractor or sub-adviser. In the event Resources uses a sub-contractor or sub-adviser to provide services to its clients, it will be responsible for supervising those services and compensating the sub-contractor or sub-adviser for the services it provides on Resources' behalf.

### **Code of Ethics and Personal Trading.**

In compliance with Rule 204A-1 of the Investment Advisors Act, Resources has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. The Code of Ethics describes the firm's fiduciary duties and responsibilities to clients by requiring compliance with applicable securities laws, including those that protect the confidentiality of client information, require the reporting of personal securities transactions, and prohibit trading on insider information. Each of Resources' "access persons" is required to acknowledge receipt of the firm's Code of Ethics within ten (10) business days of joining the firm. In addition, each access person is required to annually acknowledge that their continued employment is contingent upon their compliance with its terms. Resources will provide a complete copy of its Code of Ethics to any client upon request.

### **Review of Accounts**

Resources' Portfolio Management Team and its investment adviser representatives monitor market conditions on a daily basis. In addition, members of Resources Investment Selection Council ("RISC") meet periodically to review current market conditions and discuss potential changes to the investment strategies used in Resources' investment models.

As part of the initial negotiation a client's management agreement, the investment adviser representative and the client will discuss how frequently the parties will meet to conduct a formal investment review the accounts. Those meetings generally take place on an annual, semi-annual or quarterly basis, depending upon the size of the account and the client's time commitment to participate in such reviews. Additional client reviews can be triggered by a specific client request or by a change in market or economic conditions. While the investment adviser representatives will periodically review the performance of their clients' investments, clients are advised that it remains their responsibility to notify their adviser of any changes in their investment factors, including their investment objectives, financial situation, or family and work situations.

## **Client Referrals and Other Compensation**

Schwab provides products and services to Resources, including the following:

Services that Benefit Clients. Schwab's brokerage services includes access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products offered through Schwab could include some to which clients might not otherwise have access or that would require a significantly higher minimum initial investment. In addition, when independent firms affiliate with Resources and recommend their clients transfer their accounts to Schwab, it will often offer transition assistance to Resources and that transition assistance is typically used, in part, to cover the account termination fees charged by the clients' incumbent custodian.

Schwab provides free trading during the transition period so clients do not incur trading costs in establishing their accounts, as well as occasionally providing free trading days to enable Resources to make adjustments to its investment allocation models. However, Resources' investment adviser representatives are not permitted to utilize these free trading days in wrap fee accounts, as those accounts are presumably being charged a higher advisory fee to offset those trading costs.

Services that Do Not Directly Benefit Clients. Schwab also make available other products and services that benefit Resources but do not generally benefit clients' accounts directly. These products and services assist Resources in managing and administering its client accounts. They include investment research, which Resources uses to service all or some substantial number of its client accounts, including accounts not maintained at Schwab who is providing the research. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only RIA. Schwab offers other services intended to help Resources manage and further develop its business enterprise. These services include:

- travel expenses for Resources' investment adviser representatives and/or staff to attend educational conferences and events;
- sponsorship of Resources' conferences and client marketing events;
- technology, compliance, legal, and business consulting;

- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to RIA. Schwab also provides Resources' staff and investment adviser representatives with other benefits such as occasional meals or business entertainment.

Resources' receipt of these benefits creates a conflict of interest because they relieve the firm from paying for these items or producing them itself. As result, the receipt of these benefits makes it more likely Resources will recommend Schwab as the custodian for its clients' accounts. However, Resources believes its recommendation of Schwab to serve as custodian and broker on its clients' accounts is in the best interests of its clients, based upon the scope, quality, and price of the services that benefit them, as opposed to the services that only benefit it.

Resources and its investment adviser representatives receive direct or indirect compensation from other third parties, such as companies that offer investment products. This compensation includes payments for Resources' investment adviser representatives and/or other associated persons to attend educational and marketing seminars, gifts valued at less than \$100 annually, an occasional meal, or ticket to a sporting event. In addition, Resources maintains a Strategic Partners Program, pursuant to which certain investment product and service providers provide funds that are used to sponsor educational seminars and/or client marketing events conducted by Resources. While this creates a conflict of interest, the program does not require Resources to favor the Strategic Partners over firms that do not participate in the program when recommending or selecting any products or services. In addition, Resources maintains records of all such payments, and those records are available for inspection at a client's request.

### **Financial Information**

Registered investment advisors are required in some cases to provide certain financial information and or disclosures about financial condition. For example, if Resources required clients to prepay advisory fees six months or more in advance, had a financial condition that was reasonably likely to impair its ability to meet its contractual commitments to its clients, or had been the subject of a bankruptcy petition during the past ten (10) years, it would be required to include certain financial information and make disclosures. However, none of these factors are applicable to RIA, so no such disclosures are necessary.