

**Part 2A of Form ADV: *Firm Brochure***

**Rachor Investment Advisory Services, LLC**

2357 Stone Bridge Drive, Building I  
PO Box 320100  
Flint, MI 48532

Telephone: 810-732-7777  
Email: [helpme@rias.net](mailto:helpme@rias.net)  
Website: [www.rias.net](http://www.rias.net)

03/24/2020

This brochure provides information about the qualifications and business practices of Rachor Investment Advisory Services, LLC ("Rachor"). If you have any questions about the contents of this brochure, please contact us at 810-732-7777 or [helpme@rias.net](mailto:helpme@rias.net). 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 Rachor Investment Advisory Services, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 105495.

## **Item 2:      Material Changes**

Under the Amendments to the Form ADV that was published by the SEC on July 28, 2010, we may provide you with this summary of Material Changes detailing any material changes that we made to our Brochure since the last annual update dated March 29, 2019, in lieu of sending a full copy of our Brochure to all our clients.

Loring Ward, the independent third-party account administrator retained to provide account administration, portfolio construction and allocation analysis, back-office fulfillment, report and statement production, and billing services has changed its name to Buckingham Strategic Partners. Corresponding references in Item 4, Item 5 and Item 10 of our Brochure have been amended accordingly.

### **Additional Information**

To request a copy of our Brochure, please contact us at 810-732-7777 or [helpme@rias.net](mailto:helpme@rias.net).

Additional information about Rachor Investment Advisory Services, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 105495. The SEC's web site also provides information about any persons affiliated with us who are registered, or are required to be registered, as one of our investment adviser representatives of us.

### **Item 3: Table of Contents**

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

#### **Item 4:      Advisory Business**

Rachor Investment Advisory Services, LLC (hereinafter referred to as "Rachor") is a SEC-registered investment adviser with its principal place of business located at 2357 Stone Bridge Drive, Building I, Flint, Michigan, 48532. Rachor Investment Advisory Services, LLC began conducting business in 1984.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- RIAS Holding Company Incorporated (100%)

In addition, the following information identifies indirect owners of 25% or more of our firm:

- Tod G. Fisher (100%)

#### **Advisory Services**

Rachor provides financial planning and investment advisory services. The financial planning services include: (1) estate planning; (2) insurance planning and (3) cash flow planning. The investment advisory services include: (1) making asset allocation recommendations and trading mutual funds and other securities on a discretionary basis to implement such recommendations (the "Diversified Strategy"); and (2) for certain clients, conducting due diligence upon and recommending (on a non-discretionary basis) third-party managers ("Private Money Managers") to manage parts of such clients' portfolios (the "Concentrated Strategy"). Such Private Money Managers are typically dually registered as investment advisers and broker-dealers.

Our investment services are based on the client's individual goals and objectives. We meet with each client before any funds are invested to develop with the client the investment objectives for the client account. We also educate our clients with regard to the long term nature of the Diversified and Concentrated Strategies (the "Strategies"). After consultation with our client, an investment policy is adopted. All assets are invested in accordance with the investment policy. Client requests for restrictions on investing in certain securities or types of securities will be considered on a case by case basis, although it is anticipated that such restrictions would inhibit Rachor's ability to implement either Strategy.

In addition to the services described above, Rachor may provide advice to qualified retirement plans ("Retirement Plans"), serving as an ERISA Section 3(21) fiduciary to such plans. Specifically, Rachor conducts due diligence upon and recommends an ERISA Section 3(38) investment adviser to act as a portfolio manager for such Retirement Plans and recommends the mutual funds to be used in the construction of such portfolios. Rachor currently recommends Buckingham Strategic Partners as portfolio manager and no load institutional mutual funds managed by Dimensional Fund Advisors, Inc. ("DFA") as the underlying mutual funds. As part of this service, Rachor also meets with "Plan Participants" in a group setting for an annual education presentation to discuss investing risks, returns, portfolio allocation, etc. Plan Participants may elect to engage Rachor to provide financial planning services and to advise on the investment of their personal Retirement Plan assets.

### Amount of Managed Assets

As of 12/31/2019, we managed \$162,932,230 in client assets on a discretionary basis and \$2,603,764 in client assets on a non-discretionary basis. In addition, we have \$180,237,211 client assets under advisement.

### **Item 5: Fees and Compensation**

Rachor's charges for its financial planning and investment advisory services are charged as a percentage of assets under management, according to the following schedule:

<u>Assets Under Management</u>	<u>Quarterly Charge</u>	<u>Total Annual Charge</u>
The First \$2,500,000	.25%	1%
The Next \$2,500,000	.125%	.5%
The Next \$2,500,000	.0625%	.25%
The Next \$2,500,000	.03125%	.125%
Balance in excess of \$10,000,000	.015625%	.0625%

Assets under management include assets invested pursuant to both strategies. Such fees cover both the financial planning and investment advisory services provided by Rachor.

Our charges are billed in advance at the beginning of each calendar quarter based upon the value of the client's account at the end of the previous quarter. Charges will be debited from the account in accordance with the client authorization in the Client Services Agreement.

We retain the discretion to negotiate alternative fees on a client-by-client basis. The specific annual fee schedule is identified in the contract between Rachor and each client.

For many client accounts, Rachor will recommend that the client utilize the services of Buckingham Strategic Partners to administer/act as an additional investment adviser in relation to that part of the client's account that is invested pursuant to the Diversified Strategy. For example, pursuant to Rachor's direct instructions, Buckingham Strategic Partners is required to periodically rebalance the holdings within the Diversified Strategy, provide clients with associated reports, and maintain records of account assets including all purchases, redemptions, sales and exchanges. Buckingham Strategic Partners' fees for providing this service are discussed below.

Rachor, or Buckingham Strategic Partners for Buckingham Strategic Partners administered/advised accounts, will provide notice for management charges to each client. If from Rachor, the notice will be in the form of an invoice. If from Buckingham Strategic Partners, the notice will be under the heading of "Management Fees" on the quarterly report issued by Buckingham Strategic Partners. In either case, the information is provided to the custodian and charges will be paid directly from the client account.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination any prepaid, unearned charges will be promptly refunded. Rachor will refund the client a pro-rata portion of the charges, calculated to the date of

termination. Such pro-rata adjustments are not made when a client adds or withdraws assets to/from their account.

In addition to Rachor's investment advisory fees, clients will incur the following additional costs:

- In connection with financial planning services, the cost of third-party professionals engaged to assist Rachor in helping the client achieve their investment objectives. These services may include accounting, legal, tax or actuarial services.
- Custodial fees in connection with assets invested in accordance with the Diversified Strategy.
- For assets invested in accordance with the Diversified Strategy, certain mutual fund fees and expenses, as are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Rachor generally invests in no load institutional mutual funds managed by DFA as well as SA Funds managed by DFA. DFA only offers its services through certain investment advisers, including Rachor. DFA and SA Funds have specialized limited distribution and may not be transferable to other custodians which may result in recognition of taxable income should the client sell his or her DFA Funds or SA Funds. While clients could invest in other mutual funds directly, without our services, in such cases, a client would not receive the services provided by our firm which are designed, among other things to assist the client in determining which mutual fund or funds are most appropriate to the client's financial condition and objectives.
- Brokerage commissions for certain trades made pursuant to the Diversified strategy. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information. Please note that such commissions are not typically charged on SA Fund transactions. However, the mutual fund fees and expenses charged in connection with the SA Funds are typically higher than the corresponding fees and expenses charged in connection with the DFA Funds.
- For Buckingham Strategic Partners administered/advised accounts, Buckingham Strategic Partners' administration/advisory fees. These are charged as a percentage of assets under administration/management, according to the following schedule:

<u>Assets Under Management</u>	<u>Quarterly Charge</u>	<u>Total Annual Charge</u>
The First \$2,500,000	.06%	.24%
\$2,500,000 to \$7,500,000	.03%	.12%
Balance in excess of \$7,500,000	.025%	.10%

Investments in the SA Funds are excluded from this administration/management fee because Buckingham Strategic Partners receives certain fees and expenses directly from the SA Funds. Please note that Buckingham Strategic Partners provides certain services and products to Rachor in connection with the services Buckingham Strategic Partners provides to Rachor's clients. These include: educational opportunities; certain software designed to assist Rachor in assessing clients' financial conditions, goals, risk tolerances, incomes, liquidity requirements and investment time horizon; assistance in developing investment recommendations; assistance with determining the classifications of clients' accounts assets into asset classes; performance reports; and a mechanism for the billing and collection of advisory fees. The services provided by Buckingham Strategic Partners to Rachor create an inherent conflict of interest since they may be deemed to provide an incentive for Rachor to continue to recommend Buckingham

Strategic Partners' services to its clients.

- For assets invested in accordance with the Concentrated Strategy, the fees of the Private Money Managers recommended by Rachor, together with any custodian, brokerage and other expenses incurred in connection with their services. These fees and expenses are more fully described in the Part 2A of each Private Money Managers' Form ADV, but will typically take one of two forms.
  - If a retirement account is invested in the Concentrated Strategy, the Private Money Manager will typically charge a fee based on a percentage of assets under management. The charges, which range from 2.25% to 3% annually, are billed and taken out of the client's account on a monthly basis.
  - If a non-retirement account is invested in the Concentrated Strategy, the Private Money Manager will typically charge the client a commission based fee, which is charged on each transaction entered into, and which is taken out of the client's account at the time of the trade. Such commissions are approximately 2% of the trade value per transaction. Historically, the turnover in the accounts managed by the Private Money Managers has ranged from 200% to 1,000% per year and the annual commissions charged by such Private Money Managers has ranged from 4% to 13% of the average account balance. Further, to the extent a Private Money Manager uses leverage or sells securities short, clients will pay interest on margin loan balances, while interest will not be paid on cash balances maintained in escrow to repurchase short position securities. Both the commissions charged, and the turnover of the portfolios managed by Private Money Managers are expected to continue to be high.

Rachor's charges for its Retirement Plan services are charged as a flat annual 0.4% (quarterly 0.1%) of all Retirement Plan Assets under advisement. These fees are typically deducted from the accounts of the underlying Plan Participants. If a Plan Participant elects to hire Rachor to provide financial planning services and advise upon Retirement Plan Assets, Rachor will charge the Plan Participant a flat annual 0.6% (quarterly 0.15%) of their personal Retirement Plan Assets. Please see language above which discusses the deduction of advisory fees by Buckingham Strategic Partners, conflicts of interest relating to the recommendation of Buckingham Strategic Partners, and the refunding of unearned fees. In addition to Rachor's fees, Retirement Plans are also required to pay the fees of the ERISA Section 3(38) investment adviser recommended by Rachor (currently Buckingham Strategic Partners), together with any custodian, brokerage and other expenses incurred in connection with their services. These fees and expenses are more fully described in the Part 2A of Buckingham Strategic Partners' Form ADV. In the event that a Plan Participant also hires Rachor to provide investment advisory services in relation to non-Retirement Plan assets, Rachor will take their Retirement Plan assets into account when determining advisory fee break points.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

Rachor Investment Advisory Services, LLC does not charge performance-based fees.

## **Item 7: Types of Clients**

Rachor Investment Advisory Services, LLC offers advisory services to the following types of clients:

- High net worth individuals
- Individuals (other than high net worth individuals)
- Trusts
- Pension and profit sharing plans (other than plan participants)
- Pension and profit sharing plans (plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

### **Minimum Account Requirements**

We do not require a minimum account size. However, some Private Money Managers and some mutual funds may have a minimum or maximum account or investment size. The recommended, but not required, minimum per client combined accounts size is \$100,000. With some exceptions, Rachor recommends that a client invests a minimum of \$50,000 when opening accounts to be managed by Private Money Managers.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

As discussed in the “Advisory Business” section (Item 4), Rachor provides financial planning, investment advisory and Retirement Plan services.

The investment advisory services include: (1) making asset allocation recommendations and trading mutual funds and other securities on a discretionary basis to implement such recommendations as part of a Diversified Strategy; and (2) for certain clients, conducting due diligence upon and recommending (on a non-discretionary basis) Private Money Managers to manage parts of such clients’ portfolios as part of a Concentrated Strategy.

In the case of the Diversified Strategy, Rachor’s advice is based on an analysis of the past performance, risk factors and fund expenses of the recommended mutual funds.

In the case of the Concentrated Strategy, Rachor’s advice is based on an analysis of Private Money Managers’ past performance, risk factors, the amount of leverage historically employed, and the number of short and long positions held over time in managed portfolios.

The Retirement Plan services include: (1) conducting due diligence upon and recommending an ERISA Section 3(38) investment adviser to act as a portfolio manager for such Retirement Plans; (2) recommending the mutual funds to be used in the construction of such portfolios; and (3) providing advice to Plan Participants, both, (a) in a group setting for an annual education presentation to discuss investing risks, returns, portfolio allocation, etc, and (b) individually with regard to financial planning matters and the investment of personal Retirement Plan assets. For this service, Rachor’s advice is based on due diligence of the ERISA Section 3(38) investment adviser and an analysis of the past performance, risk factors and fund expenses of the recommended mutual funds.



## Risk of Loss

All investing involves a risk of loss that clients should be prepared to bear.

In the case of the Diversified Strategy, securities are purchased with the idea of holding them in a client's account for a year or longer. A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, the values of securities may decline sharply in value before any decision to sell (if at all) is made.

In the case of the Concentrated Strategy, Rachor will not have a role in the management of accounts managed by Private Money Managers and it will likely not have the opportunity to evaluate in advance the specific decisions made by such managers. As a result, the rates of return to clients will primarily depend upon the choice of investments and other investment and management decisions of Private Money Managers, and returns could be adversely affected by the unfavorable performance of such managers. Rachor depends on third-party managers to develop the appropriate systems and procedures to control investment and operational risks, either of which could cause client accounts to suffer financial losses. Clients should refer to Part 2A of each Private Money Managers' Form ADV for a description of the risks pertaining to that manager's strategy or strategies, however, common risks associated with such strategies include:

- *Long-term purchases.* Certain Private Money Managers purchase securities with the idea of holding them in the client's account for a year or longer. Typically, this strategy is employed when:
  - The manager considers securities to be currently undervalued, and/or
  - The manager is seeking exposure to a particular asset class over time, regardless of the current projection for the class.

A risk in a long-term purchase strategy is that by holding a security for this length of time, the manager may not take advantage of short-term gains that could be profitable to a client. Moreover, if predictions are incorrect, a security may decline sharply in value before a decision to sell is made.

- *Margin transactions.* Certain Private Money Managers will purchase stocks for client portfolios with money borrowed from a broker-dealer. This allows the client to purchase more stock than they would be able to with their available cash and/or without selling other holdings. A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in a client account minus what the client owes the broker-dealer falls below a certain level, the broker will issue a "margin call", and the client will be required to sell its position in the security purchased on margin or add more cash to their account. In some circumstances, clients may lose more money than they originally invested.
- *Short sales.* Certain Private Money Managers may employ short sales. Shares of a stock are borrowed for the portfolio from someone who owns the stock on a promise to return the shares at a future date. Those borrowed shares are then sold. On a future date, the same stock is bought and the shares are returned to the original owner. Short selling may be engaged in expectation that the stock will go down in price after the shares are borrowed and sold. If the manager is correct and the stock price has gone down since the shares were borrowed from the original owner, the client account realizes the profit. Alternatively, a manager may use short positions to reduce the risk of certain long positions. Short selling results in some unique risks:

- Losses can be infinite. A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if a manager shorts 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, the client would lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits the client's potential upside.
- Short squeezes can wring out profits. As stock prices increase, short seller losses may also increase as short sellers rush to buy the stock to cover their positions. This increase in demand, may in turn further drive prices up, increasing client losses.
- Even if a manager is correct in determining that the price of a stock will decline, the client runs the risk of incorrectly determining when the decline will take place, i.e., they could be right too soon. Although a company may be overvalued, it could conceivably take some time for the price to come down; during which the client is vulnerable to interest payments to the stock lender, margin calls, and investment losses.
- History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock. There is therefore a risk that inflation could cause investment losses, even if the manager was correct in their assessment about the company issuing the stock.
- Option writing. Options may be used as an investment strategy in the accounts managed by certain Private Money Managers. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. The two types of options are calls and puts. A call gives the holder the right to buy an asset at a certain price within a specific period of time. A call is likely to be bought if it is anticipated that the stock will increase substantially before the option expires. A put gives the holder the right to sell an asset at a certain price within a specific period of time. A put is likely to be bought if it is anticipated that the price of the stock will fall before the option expires. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks.

In the case of the Retirement Plan services, Rachor will not have a role in the management of portfolios managed by the ERISA Section 3(38) investment adviser and it will likely not have the opportunity to evaluate in advance the specific decisions made by such adviser. As a result, the rates of return to Plan Participants will primarily depend upon the choice of investments and other investment and management decisions of the ERISA Section 3(38) investment adviser, and returns could be adversely affected by the unfavorable performance of such adviser. Rachor depends on the ERISA Section 3(38) investment adviser to develop the appropriate systems and procedures to control investment and operational risks, either of which could cause Plan Participant accounts to suffer financial losses. Retirement Plan clients should refer to Part 2A of the ERISA Section 3(38) investment adviser's Form ADV for a description of the risks pertaining to that manager's strategy or strategies. However, as with the Diversified Strategy, it is anticipated that securities will be purchased with the idea of holding them for a year or longer. A risk in a long-term purchase strategy is that by holding the security for this length of time, the adviser may not take advantage of short-term gains that could be profitable. Moreover, the values of securities may decline sharply in value before any decision to sell (if at all) is made.

## **Item 9: Disciplinary Information**

Rachor is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## **Item 10: Other Financial Industry Activities and Affiliations**

Rachor is licensed in the State of Michigan as a public accounting firm. Tod G. Fisher, Rachor's CEO, is licensed in the State of Michigan as a C.P.A. Michigan law requires that any business owned 50% or more by a C.P.A. (including via attribution) that provides accounting services be licensed as a public accounting firm. Rachor only provides limited accounting services including tax planning and some tax preparation. Rachor does not charge fees other than the AUM fees discussed in the "Fees and Compensation" section (Item 5) for accounting services. Rachor does not provide attestation (audit, review, compilation) services.

As discussed in the "Fees and Compensation" section (Item 5), many clients use and pay for the services of Buckingham Strategic Partners in connection with the administration/investment management of their accounts. Further, Rachor also recommends that Retirement Plans select Buckingham Strategic Partners as an ERISA Section 3(38) investment adviser. Buckingham Strategic Partners provides certain services and products to Rachor in connection with the services that Buckingham Strategic Partners provides to Rachor's investment advisory clients. These include: certain educational opportunities; certain software designed to assist Rachor in assessing clients' financial conditions, goals, risk tolerances, incomes, liquidity requirements and investment time horizon; assistance in developing investment recommendations; assistance with determining the classifications of clients' accounts assets into asset classes; performance reports; and a mechanism for the billing and collection of advisory fees. The receipt of these services creates an inherent conflict of interest since it may be deemed to provide an incentive for Rachor to continue to recommend Buckingham Strategic Partners' services to its clients. Rachor addresses these conflicts by only recommending Buckingham Strategic Partners to its clients when it believes it is in their best interests to do so.

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

Rachor has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Rachor and its personnel owe a duty of loyalty, fairness and good faith towards its clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code. We endeavor to follow not just the letter of the law, but the spirit of the law.

Our Code of Ethics includes policies and procedures for the review of employee accounts quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's employees. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our Code also provides for oversight,

enforcement and recordkeeping provisions.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [helpme@rias.net](mailto:helpme@rias.net), or by calling us at 810-732-7777.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Rachor's employees may buy or sell for their personal accounts securities identical to those that we buy and sell for our clients pursuant to the Diversified Strategy. In addition, such trades may take place at or about the same time as client transactions. Although this could represent a potential conflict of interest to our clients, with rare exception, client accounts for which Rachor has investment discretion are typically invested in mutual funds for which net asset values are set by the mutual fund at the end of each trading day. Therefore, there is limited scope for employees to take advantage of client trading by trading in their personal accounts.

Tod Fisher, Rachor's CEO, sits on the board of the Rachor Family Foundation, Ltd. with five other board members and participates in making certain investment decisions on behalf of the Foundation. This includes deciding to hire certain Private Money Managers recommended to other Rachor clients on behalf of the Foundation. Rachor does not believe this activity presents any conflicts of interest to its clients based on the nature of the investments in question. Further, to the extent the Foundation invests in the same securities and/or at or about the same time as other clients, it will either be in the capacity as Rachor's client (pursuant to Rachor's investment discretion) or such transaction will typically relate to a mutual fund for which net asset values are set by the mutual fund at the end of each trading day. Therefore, there would be limited scope for the Foundation to take advantage of client trading by trading ahead of or behind client accounts.

## **Item 12: Brokerage Practices**

With regard to client assets invested in accordance with the Diversified Strategy, Rachor generally will direct all client trades to that client's chosen custodian. Such custodians are typically also registered broker-dealers. Rachor believes that trade away fees and/or other costs may negate any savings that could be received by using a different broker.

Generally, Rachor suggests that clients select a discount broker to act as custodian. Rachor currently recommends TD Ameritrade Institutional Services and Charles Schwab & Co. based on the historical service levels provided to our clients and the relatively low cost at which they are able to perform their services. In suggesting broker-dealer/custodians to our clients, we consider all of the services provided to our clients by the broker-dealer/custodian. Comparable brokerage services may be available elsewhere for more or less cost to the client.

Rachor may have access to research, including a subscription to Morningstar, from these discount brokers which we consider to be immaterial to our business. Research is not provided in connection with Rachor's clients' securities transactions or contingent upon forthcoming securities transactions. We believe that access to these items is available to all institutional managers or customers. As stated above, we primarily suggest TD Ameritrade

Institutional Services, Inc. and Charles Schwab & Co., Inc. because their charges are reasonable and the services levels provided to our clients have historically been good. In any event, Rachor's policy is for such products and services to fall within Section 28(e) of the Securities Exchange Act of 1934. In conjunction with Rachor's periodic best execution analyses, Rachor will review products and services received from broker-dealers to ensure Rachor is in compliance with the safe harbor of Section 28(e); further, Rachor will make a good faith determination that the value of the brokerage and research services obtained is reasonable in relation to the amount of the commissions paid.

The client is under no obligation to engage the services of any recommended broker-dealer/custodian and the client is free to select his or her own broker-dealer/custodian. The client will be responsible for negotiating commission rates with the chosen broker or custodian in such circumstances. Clients should be aware that directed brokerage arrangements generally hinder the ability of an investment adviser to obtain the best price and execution, and therefore, clients may pay higher transaction costs than available elsewhere.

As a matter of policy and practice, Rachor does not generally block client trades. Rachor implements client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price. Additionally, our clients may not receive volume discounts available to advisers who block client trades. With rare exception, clients for which Rachor has discretion are invested in mutual funds, where all clients buy and sell at net asset values set by the mutual fund at the end of each trading day. Therefore, blocked trades are neither an opportunity nor an impediment.

### **Item 13: Review of Accounts**

All client accounts are reviewed annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. Additional reviews may be triggered by material changes in the client's individual circumstances.

These accounts are reviewed by: Tod Fisher, CFP®, CPA/PFS, CFS®, CFE, CRFAC®, DABFA®

Clients are provided with activity and securities holdings reports for each of their accounts, on at least a quarterly basis, from their account custodian. In addition, Rachor provides monthly position reports summarizing performance, risk and balances for each client's accounts.

### **Item 14: Client Referrals and Other Compensation**

Rachor does not engage solicitors or pay related or non-related persons for referring clients to Rachor.

Rachor does not accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Rachor's compensation comes from clients only.

## **Item 15: Custody**

Rachor does not custody client funds or securities, but requires they be held by a qualified third party custodian. We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm debits advisory fees directly from client accounts. If you provide us with this authorization, we are deemed to have constructive custody of your account. We are also deemed to have custody when a client establishes a letter of instruction or other asset transfer authorization arrangement with their qualified custodian, authorizing us to disburse funds to one or more third parties specifically designated by the client. In addition, if a client and/or client trust retains an officer or employee of Rachor as trustee and/or durable power of attorney, we are deemed to have custody.

Each client's custodian is advised of the amount of the charges to be deducted from that client's account. On at least a quarterly basis, each custodian is required to send to the client a statement showing all transactions within each account during the reporting period.

Because the custodian does not calculate the amount of the charges to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation. Clients should contact Rachor directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, Rachor also sends monthly position statements directly to its clients. Rachor urges its clients to carefully compare the information provided on all of these statements to ensure that all account transactions, holdings and values are correct and current.

In the event that a client and/or client trust has retained or retains an officer or employee of Rachor as trustee and/or durable power of attorney, and Rachor acts as investment advisor to the client and/or client trust, the trust beneficiary(ies) or trust grantor(s) will receive statements directly from the account custodian or brokerage firm.

## **Item 16: Investment Discretion**

Clients may hire Rachor to provide discretionary asset management services in accordance with the Diversified Strategy. Rachor places trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Rachor's discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give Rachor discretionary authority when they sign a discretionary agreement with the firm and may limit this authority by giving Rachor written instructions. Clients may also change/amend such limitations by once again providing Rachor with written instructions.

## **Item 17: Voting Client Securities**

As a matter of firm policy, Rachor does not vote proxies on behalf of clients. Therefore, although Rachor may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other types of events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Rachor does not offer any consulting assistance regarding proxy issues to clients.

## **Item 18: Financial Information**

Rachor has never filed for bankruptcy, does not solicit fees six months or more in advance, and is not aware of any financial condition that is expected to affect its ability to manage client accounts.