

**Form ADV Part 2A Appendix 1 - Wrap Fee Program Brochure**  
**Item 1: Cover Page**  
**March 2020**

**Strategic Asset Program**

**Sponsored By:**

**Financial Partners, LLC**  
**613 Old Santa Fe Trail**  
**Santa Fe, NM 87505**  
**CRD # 170002**

**Firm Contact:**  
**Charles A. Goodman**  
**Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Financial Partners, LLC. If you have any questions about the contents of this brochure, please contact us by telephone at (505) 795-7910 or email [charles.goodman@lpl.com](mailto:charles.goodman@lpl.com). 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 Financial Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that the use of the term "registered investment adviser" and description of Financial Partners, LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.

## **Item 2 – Material Changes**

Financial Partners, LLC is required to advise you of any material changes to the Wrap Brochure (“Wrap Brochure”) from our last annual update.

Since our last annual amendment filed on 01/22/2019, LPL Financial has launched a trading platform with select exchange traded funds (“ETFs”) that do not charge transaction fees. The no-transaction-fee ETF trading platform is available to clients participating in LPL Financial’s Strategic Wealth Management (“SWM”) and Strategic Asset Management (“SAM”) programs. Since our firm pays the transaction fees charged by LPL Financial to clients participating in our wrap fee program, we are incentivized to recommend no-transaction-fee ETFs over other types of securities in order to reduce our costs. This presents a conflict of interest because the limited number of ETFs available on the no-transaction fee platform may have higher overall expenses than other types of securities and ETFs not included in the platform. Other major custodians, including TD Ameritrade, have eliminated transaction fees for all ETFs and U.S. listed equities, so clients may pay more for investing in the same securities at LPL Financial.

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## **Item 4 – Services, Fees and Compensation**

Financial Partners, LLC (“Financial Partners”) is a limited liability company organized under the laws of the State of New Mexico on March 4, 2010 as Santa Fe Investment Group LLC and changed its name to New Mexico Financial Partners, LLC on November 25, 2013. The firm changed its name to Financial Partners, LLC on June 13, 2016. We are 100% owned by Charles A. Goodman. As of 12/31/2019, our total assets under management is \$167,592,548, all of which is managed on a discretionary basis.

Under the Strategic Asset Program (SAP) wrap program, you will pay a single fee for investment advice and all transaction related costs associated with executing transactions (except for incidental costs such as wire fees or bank charges). The SAP Fee also does not cover certain fees and expenses associated with investments in mutual funds, as discussed above. Other costs that may be assessed to you and that are not part of the wrap fee include fees for portfolio transactions executed away from LPL Financial or TD Ameritrade, mark-ups, electronic fund and wire transfers, spreads paid to market-makers, market maker spreads and exchange fees, among others.

A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services include portfolio management, and the fee is not based directly upon transactions in your account. Your fee is bundled with our costs for executing transactions in your account(s). This results in a higher advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity. You should be aware that there is a conflict of interest because we may have an incentive to limit our trading activities in your account(s) since we are charged for executed trades. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker. As a fiduciary, we always put our Client’s interest above our own.

LPL Financial offers a trading platform with select exchange traded funds (“ETFs”) that do not charge transaction fees. The no-transaction-fee ETF trading platform is available to clients participating in LPL Financial’s Strategic Wealth Management (“SWM”) and Strategic Asset Management (“SAM”) programs. Since our firm pays the transaction fees charged by LPL Financial to clients participating in our wrap fee program, we are incentivized to recommend no-transaction-fee ETFs over other types of securities and ETFs in order to reduce our costs. This presents a conflict of interest because the limited number of ETFs available on the no-transaction fee platform may have higher overall expenses than other types of securities and ETFs not included in the platform. In addition, other major custodians, including TD Ameritrade, have eliminated transaction fees for all ETFs and U.S. equities, so clients may pay more for investing in the same securities at LPL Financial.

### **Our Wrap Advisory Service**

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We provide on a discretionary basis asset allocation and ongoing investment management services, through this SAP wrap fee program. SAP provides professional asset management service for a convenient, single "wrap" fee that covers account management, brokerage, clearance, custody and administrative services. We will receive a portion of the SAP fee for our services. SAP is administered through our clearing broker/dealers, LPL Financial (“LPL”) or TD Ameritrade. We will work with you to identify your investment goals and objectives, risk tolerance and time horizons in

order to create a portfolio allocation that we feel will allow you to achieve your goals while assuming the appropriate level of risk. Your portfolio will be tailored to meet your specific needs. You will have the opportunity to place reasonable restrictions on the investment in certain securities or the types of securities to be held in the portfolio. Your investment advisor representative ("IAR") may recommend various types of Asset Management Services to help meet your investment goals.

The maximum annual fee for this service is 2.80%. Fees are negotiable under limited circumstances based upon portfolio size and other business considerations. The independent custodian will deduct our fee quarterly in advance; however, for the initial fee deduction, the independent custodian will deduct our fee at the beginning of the quarter following the establishment of the Account and will include a prorated fee for the initial quarter in addition to the quarterly SAP fee for the upcoming quarter. Subsequent fee deductions will be made at the beginning of each quarter based on the value of the Account assets as of the close of business on the last business day of the preceding quarter. Additional deposits and withdrawals will be added or subtracted from the assets, which may lead to an adjustment of our fee. Certain accounts may establish procedures to pay our fee directly rather than through a debit to the Account. The fee schedule may vary based upon portfolio size and other business considerations. You may terminate this service upon 30 days written notice and a refund will be made on a pro-rata (by day) basis of any unearned fees paid in advance.

The investment advisory agreement may be terminated by either party upon 30 days written notice to the other. Full refunds will only be made in cases where cancellation occurs within five (5) business days of signing the investment advisory agreement. After five (5) business days, you will receive pro-rata refund, which takes into account work we completed on your behalf. You will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by you.

We deliver the Form ADV Part 2 to the client not less than 48 hours prior to entering into an investment advisory contract. In the event the Form ADV Part 2 is not delivered until entry into the contract, the client may terminate the contract without penalty within five (5) business days after entering into the contract.

### **Other Types of Fees & Expenses:**

You may pay custodial fees, 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, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap-fee you are charged by our firm.

We do not recommend or offer the wrap program services of other providers. Our investment advisory representatives receive a portion of the advisory fee that you pay us, either directly as a percentage of your overall fee or as their salary from our firm. In cases where our investment advisory representatives are paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, we may stand to earn more compensation

from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded.

**Conflict of Interest:**

The wrap fee service may cost clients more or less than purchasing such services separately depending on the frequency of trading in the client's accounts, commissions charged at other broker/dealers for similar products and fees charged for like services by other broker/dealers and other factors.

### **Item 5 – Account Requirements and Types of Clients**

We offer financial and investment advisory services to high net worth individuals, pension and profit sharing plans (other than plan participants), and charitable organizations. We do not impose a minimum account size for opening or maintaining an account with us.

### **Item 6 – Portfolio Manager Selection and Evaluation**

Our firm utilizes our in-house portfolio managers as well as a selection of outside portfolio managers. In-house accounts are managed by licensed Investment Adviser Representatives (“IARs”) of our firm. Our IARs are responsible for the investment advice and management offered to clients. The client selects the IAR who manages the account. Prior to becoming licensed with our firm, each IARs industry experience, licensure, outside business activities, client complaints (if any), disciplinary or regulatory history (if any) and financial well-being will be reviewed. Each IAR will then have a Form U4 and ADV Part 2B on file with our firm. Outside portfolio managers, either individually or firm-wide, are selected based on past performance, investment philosophy, market outlook, experience of associated portfolio managers and executive team, disciplinary, legal and regulatory histories of the firm and its associates, and/or whether compliance procedures are in place to address at a minimum, insider trading, conflicts of interest, and/or anti-money laundering.

Performance returns of wrap portfolios are reviewed at least quarterly. The nature of these reviews is to learn whether client accounts are in line with their investment objectives and appropriately positioned based on market conditions. If these standards fall below the client objectives, our firm will discuss the review with the portfolio manager for proactive action to realign the investment strategy.

**Advisory Business:**

Advisory recommendations are based on your financial situation at the time the services are provided and are based on financial information you disclose to us. You are advised that certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. As your financial situation, goals, objectives, or needs change, you must notify us promptly.

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

We do not charge performance based fees (i.e., advisory fees based on a share of the capital gains on or capital appreciation of the assets of a client). Our compensation structure is disclosed in detail in Item 4 above.

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

Your investment portfolio will be tailored to help you accomplish your unique financial goals and objectives. In determining the recommendations to give to you, we will first gather and consider information regarding several factors including your:

- current financial situation,
- investment goals and objectives,
- current and long-term needs,
- tolerance and appetite for risk, and
- level of investment knowledge.

After developing a thorough understanding of your risk tolerance and goals, we will work together to create a customized investment portfolio designed specifically for you. You have the opportunity to place reasonable restrictions or constraints on the way your account is managed; however, such restrictions may affect the composition and performance of your portfolio. For these reasons, performance of the portfolio may not be identical with our average client.

We use several different methods of analysis and sources of information when formulating investment strategies. We source information from financial periodicals, research materials prepared by others, annual reports, prospectuses, filings with the SEC, and company press releases.

We employ fundamental and technical analysis in formulating investment advice. Fundamental analysis involves reviewing financial statements to understand the general financial health of a company, and reviewing the management team or advantages the company may have over the competitors. Technical analysis involves the evaluation of historical market data such as price and volume of a particular security or investment instrument. Technical analysis often times involves the use of charts, graphs, and other tools to evaluate historical factors relating to the investment instrument and perhaps the market as a whole. The goal of technical analysis is to try to identify historical trading patterns that suggest future trading activity or price targets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. We may use one or more of the following investment strategies when providing investment advice to you:

- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

- Trading - securities sold within 30 days.

**Please Note:**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

We will rebalance your portfolio periodically to control risk, take profits and enhance tax efficiency. We will reduce or eliminate positions due to lack of performance, to achieve certain tax benefits, to capture profits and to tactically re-allocate holdings.

While we seek to take advantage of investment opportunities for our clients that will seek to balance investment returns with the risk of loss, there is no guarantee that such opportunities will ultimately benefit our client. We will change client portfolios in response to market conditions that are unpredictable and may expose our client to greater market risk than seen in previous market cycles. There is no assurance that our investment strategy will enable our client to achieve their investment objectives.

**Voting Client Securities (i.e., Proxy Voting):**

As a matter of firm policy and practice, we do not vote proxies on behalf of our advisory clients. Our client advisory agreements or other client documents provide that our advisory clients expressly retain the authority and responsibility for voting proxies of portfolio securities. We may provide advisory clients with administrative assistance regarding proxy voting or issues; however, the clients have the responsibility to receive and vote any proxies.

**Item 7 – Client Information Provided to Portfolio Managers**

We are required to describe the information about you that we communicate to your portfolio manager(s), and how often or under what circumstances we provide updated information. Our firm communicates with your portfolio manager(s) on a regular basis as needed (daily, weekly, monthly, etc) to ensure your most current investment goals and objectives are understood by your portfolio manager(s). In most cases, we will communicate such information as part of our regular investment management duties. Nevertheless, we will also communicate information to your portfolio manager(s) when you ask us to, when market or economic conditions make it prudent to do so, etc.

**Item 8 – Client Contact with Portfolio Managers**

We have not placed any restrictions on your ability to contact and consult with your portfolio manager.



## **Item 9 – Additional Information**

### **Disciplinary Information**

We have determined that our firm and management have no disciplinary information to disclose.

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

Many of our IARs are registered representatives and investment adviser representatives of LPL Financial, a registered broker dealer member FINRA & SIPC and investment advisor with various state regulatory agencies. We have chosen to deliver their services in this fashion in order to offer their clients diverse and extensive investment opportunities. This may represent a conflict of interest since their time is split between two business operations. Our IARs are compensated by a fee based on assets in the advisory accounts rather than receiving commissions. Additionally, our IARs may receive compensation (commission) based upon the sale of an investment product, including distribution and service fees from the sale of mutual funds in non-managed accounts as registered representatives of LPL Financial. Prior to these transactions being executed, registered representatives will disclose this conflict of interest.

Certain IARs are licensed to sell insurance products through various companies. Appropriately licensed IARs will receive compensation for the sale of such products. You are under no obligation to purchase insurance products through any particular insurance agency or IAR and may effect any such transactions where you desire.

As part of our duty to you, we attempt at all times to put your interest first. The IARs may spend less than 10% of their time with LPL Financial and as agents of various insurance companies. The above affiliation may be considered material. However, we are not under common control and ownership with, and therefore, not affiliated with LPL Financial or any of its affiliates.

We do not receive compensation directly or indirectly from other investment advisers nor have other business relationships with other investment advisers for whom we have referred our clients.

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

Our firm has adopted a written Code of Ethics in compliance with SEC Rule 204A-1 under the Investment Advisers Act of 1940 (as amended—the Advisers Act). All employees of Financial Partners are deemed by the Advisers Act to be supervised persons<sup>1</sup> and are therefore subject to this Code of Ethics. In carrying on its daily affairs, the Company and all of our associated persons shall act in a fair, lawful and ethical manner, in accordance with the rules and regulations imposed by the Company's governing regulatory authority.

We have created a Code of Ethics which establishes standards and procedures for the detection and prevention of certain conflicts of interest including activities by which persons having knowledge of the investments and investment intentions of Financial Partners might take advantage of that knowledge for their own benefit. We have in place Ethics Rules (the "Rules"), which are comprised

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<sup>1</sup> Supervised person means any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser.

of the Code of Ethics and Insider Trading policies and procedures. The Rules are designed to ensure that our personnel (i) observe applicable legal (including compliance with applicable state and federal securities laws) and ethical standards in the performance of their duties; (ii) at all times place your interests first; (iii) disclose all actual or potential conflicts; (iv) adhere to the highest standards of loyalty, candor and care in all matters relating to you; (v) conduct all personal trading consistent with the Rules and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility; and (vi) not use any material non-public information in securities trading. The Rules also establish policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding portfolio holdings information.

Under the general prohibitions of the Rules, our personnel may not: 1) effect securities transactions while in the possession of material, non-public information; 2) disclose such information to others; 3) participate in fraudulent conduct involving securities held or to be acquired by any client; and 4) engage in frequent trading activities that create or may create a conflict of interest, limit their ability to perform their job duties, or violate any provision of the Rules.

Our personnel are required to conduct their personal investment activities in a manner that we believe is not detrimental to its advisory clients. Our personnel are not permitted to transact in securities except under circumstances specified in the Code of Ethics. The policy requires all Access Persons<sup>2</sup> to report all personal transactions in securities not otherwise exempt under the policy. All reportable transactions are reviewed for compliance with the Code of Ethics. In the event that you request a copy of our Code of Ethics, we will furnish a copy within a reasonable period of time to you at your current address of record.

We do not, nor do any of our related persons, recommend to you, or buy or sell for your accounts, securities in which we (or a related person) have a material financial interest. Our related persons may invest in the same securities that we or a related person recommend to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Additionally, we do not, nor does a related person, recommend securities to you, or buy or sell securities for your accounts, at or about the same time that we (or a related person) buy or sell the same securities for our own (or the related person's own) account.

We do not execute transactions on a principal or agency cross basis for equity transactions.

Pursuant to applicable Federal and/or State Privacy Regulations, we are a financial institution that has determined to keep confidential non-public personal information about each of our client.

As discussed above, many of our associated persons are registered representatives of LPL Financial. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about our clients, even if client does not establish any account through LPL. Please contact us if you would like a copy of LPL Financial's privacy policy.

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<sup>2</sup> Access person means any of your supervised persons who has access to nonpublic information regarding any clients' purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any reportable fund, or who is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic. If providing investment advice is your primary business, all of your directors, officers and partners are presumed to be access persons.

A full copy of our Privacy Policy is provided, upon inception, of a new client and is provided each year thereafter. You may request a copy of our Privacy Policy at any time and a copy will be furnished within a reasonable period of time to you at your current address of record.

### **Review of Accounts**

Our management personnel or financial advisors will review accounts at least annually. The review covers evaluation of the account's asset allocation against the recommended allocation for that particular investment objective. The process also includes evaluation of the account's performance against benchmarks of similar investment objectives. We will discuss your current financial status, risk tolerance, and investment objective and goals to determine whether adjustments are required to your current asset allocation and account holdings. Changes in macroeconomic and company specific events may trigger additional reviews.

We will rebalance your portfolio periodically to control risk, take profits and enhance tax efficiency. We will reduce or eliminate positions due to lack of performance, to achieve certain tax benefits, to capture profits and to tactically re-allocate holdings.

Clients will receive monthly statements for their account reflecting account values, positions, and activities from the account custodian. In addition, clients will receive quarterly performance reports comparing the performance of their advisory accounts versus common benchmarks and indices from their independent custodian.

### **Client Referrals and Other Compensation**

While we do not receive an economic benefit, including sales awards or other prizes, from a non-client for providing investment advice or other advisory services to our clients, in their capacities as registered representatives of LPL Financial, our IARs may also receive commissions or fees from LPL or payments from certain mutual funds distributed pursuant to a 12b-1 distribution plan or other such plans as compensation for administrative services, representing a separate financial interest. As such, a conflict of interest may exist with respect to recommendations to buy or sell such securities. In all cases, transactions are effected in the best interests of the client.

In connection with the transition of Financial Partners, LLC clients to the LPL Financial custodial platform and Mr. Murphy's association as a registered representative of LPL Financial, Mr. Murphy has received \$50,000 in transition assistance from LPL Financial. The transition assistance that Mr. Murphy received is in addition to the production bonuses, stock options, and other economic benefits that he is entitled to receive as a registered representative of LPL Financial. As a result, Mr. Murphy has a financial incentive to recommend that you establish an account with LPL Financial. This financial incentive creates a conflict of interest in connection with Mr. Murphy's recommendation of LPL Financial.

Our firm does not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

**Financial Information**

We have no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to you provided that we comply with the safekeeping requirements imposed by the State of New Mexico detailed in Item 15 of the Form ADV Part 2A. Furthermore, we do not require or solicit prepayment of fees greater than \$1,200 per client and six months or more in advance. In addition, we are not currently, nor at any time in the past ten years been the subject of a bankruptcy petition.