

# **Planners Financial Services, Inc.**

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December 31, 2019

Firm Brochure

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Planners Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at (651) 405-9000 or [dmccoy@plannersfinancial.com](mailto:dmccoy@plannersfinancial.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.

Planners Financial Services, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information which you can use to decide whether or not to hire or retain an Adviser.

Additional information about Planners Financial Services, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting us at 651-405-9000 or [dmccoy@plannersfinancial.com](mailto:dmccoy@plannersfinancial.com). Our brochure is available free of charge on our web site [www.plannersfinancialservices.com](http://www.plannersfinancialservices.com).

Additional information about Planners Financial Services (PFS) is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with PFS who are registered, or are required to be registered, as investment adviser representatives of PFS.

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## **Item 4 – Advisory Business**

Planners Financial Services (PFS) is registered with the Securities and Exchange Commission (SEC) as a Registered Investment Adviser offering a variety of services through its Investment Adviser Representatives (IARs). PFS was founded in 1972. PFS provides research, education, support and various Client reports to its IARs. We are professional providers of financial services working to improve the investment results for our Clients while attempting to limit their costs, in contrast to what our Clients could do for themselves. PFS monitors and reports on approximately 830 mutual funds, ETFs, equities and other securities on a weekly basis.

Our principal office is located at 1210 Northland Drive, Suite 190; Mendota Heights, MN 55120. We have branch offices located at 1435 Knollwood Lane; Mendota Heights, MN 55118 and 3800 American Boulevard West, Suite 1500; Bloomington, MN 55431. Our website address is [plannersfinancialservices.com](http://plannersfinancialservices.com).

Each IAR conducts their business under their own trade name and does their own analysis of the needs and solutions required for the Client. All work is performed in accordance with the terms of a PFS written agreement detailing the objectives, obligations and fees for the parties. All billings are done by PFS.

The firm's compensation under the Agreement is solely from fees paid directly by Clients. All fees are negotiable. The written Agreements provide for termination at any time upon written notice from the Client. All unearned fees will be refunded on a pro-rata basis upon the Client's written request. PFS receives no benefits from custodians or broker/dealers based on Client security transactions through Charles Schwab & Co. These relationships are commonly referred to as soft-dollar arrangements. Investment in shares of mutual funds or other securities may be subject to additional advisory and other fees and expenses that are paid by the securities themselves, but ultimately are born by the Investor.

We may recommend other professionals such as lawyers, accountants, insurance agents, real estate agents, etc., at the request of a Client. Other professionals are engaged directly by the Client, not PFS, on an as-needed basis even when recommended by PFS. Conflicts of interest will be disclosed to the Client and managed in the best interests of the Client.

All Clients undergo an analysis of their investment objectives, investment experience, investment time horizon and risk tolerance. We cannot guarantee the future performance of your account, promise any specific level of performance or promise that our investment decisions, strategies or overall management of the Client's account will be successful. The investment decisions that we will make for you are subject to various market conditions, currency risks, economic cycles, political situations and business risks and will not necessarily be profitable.

## BUSINESS CONTINUITY

Significant business disruptions can vary in their scope. A significant business disruption could affect only our firm, the single building housing our firm, the business district where our firm is located, the city where we are located or the whole region. Within each of these areas, the severity of the disruption could also vary from minimal to severe. In a disruption to only our firm or building housing our firm, we will transfer our operations to a local site, and we expect to recover and resume business within 6 business hours.

In a disruption affecting our business district, city or region, we will transfer our operations to a site outside of the affected area, and we expect to recover and resume business within 72 hours. In either situation, we plan to continue in business, transfer operations to mutual fund companies or brokerage firms if necessary, and notify Clients through our emergency contact number, (612) 414-8151, how to communicate with us. If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our Client's prompt access to their funds and securities. If telephone service is available, our registered persons will take Client orders or instructions and contact the individual mutual fund companies and brokerage firms on their behalf, after first receiving approval of the transaction from a Principal.

## INVESTMENT PORTFOLIO MANAGEMENT

Certain IARs and PFS specialize in constructing and managing investment portfolios on a discretionary basis that utilize a variety of securities including No Load and Load Waived Open End Mutual Funds, individual equities and bonds, Equity REITs, Closed End Funds, Royalty Trusts, Equity REITs, Certificates of Deposit, Money Market Funds, Exchange Traded Notes and Exchange Traded Funds. PFS initiates and submits all trades. Schwab executes the trades that we submit. The Client receives notification of the transaction after it has been completed. Implementation of the investment strategies is accomplished with a Limited Power of Attorney for trading within the Client's segregated brokerage account which is held by an independent third party professional custodian.

Investment Portfolio Management accounts are actively managed. All Client accounts are held by Charles Schwab Institutional Services of San Francisco, Phoenix and Orlando. Schwab is a prominent discount brokerage firm and asset custodian. The Client gives PFS a Limited Power of Attorney to buy and sell at our discretion in the accounts. Schwab confirms all transactions directly to the Client with a copy to PFS following the completion of the transaction. Schwab generally provides monthly statements (and at least quarterly) directly to the Client with a copy provided to PFS. Annually, Schwab will provide an IRS form 1099 directly to the Client for each appropriate account with a copy to PFS.

The objectives, time frame, risk tolerance level and relationship of the managed portfolio to the total assets of the Client are summarized in a written Statement of Investment Policy (SIP). The SIP is developed in consultation with the Client. This SIP can include restrictions on investments and strategies that the Client does not want PFS to utilize. When all parties agree on the Client's wishes and parameters, all will sign the SIP with a copy given to each. The SIP can only be changed in writing. The SIP assures each party that PFS heard the Client and clarifies in writing the instructions and parameters of the portfolio.

PFS and the IAR will monitor the performance and tenure of the various fund managers and furnish the Client with quarterly reports detailing the portfolio assets and the financial results. Clients may request that the IAR advise on assets custodied outside of Schwab. Assets covered in such a situation may be included in the quarterly billing as agreed to by the Client. The Client will be responsible for communicating asset values to the IAR and PFS or through an account aggregation service provider. At no time will PFS or its IARs have access to make changes to a Client's outside assets. PFS and its IARs will make recommendations only. The Client will have the sole responsibility whether or not to implement those recommendations. PFS will not report on the performance of accounts held outside of Schwab.

## INVESTMENT PORTFOLIO DESIGN

The IAR and PFS can develop an Investment Portfolio for a coordinated and integrated portfolio using a variety of securities. Among the factors that will be considered are the Client's age, income, objectives and risk level desired, personal debt to equity ratio, risk structure of equity and debt portfolios, historical 1, 5, and 10 year compounded average annual total returns, current yield, risk adjusted rate of return (Alpha), volatility (Beta or Standard Deviation), Security Correlation Coefficient, Expense Ratio, Portfolio Manager Tenure, Qualifications and Professional History and other techniques.

In designing Client portfolios, PFS primarily uses Load and No Load Open End Mutual Funds. PFS may, however, recommend other types of securities that carry a sales commission charged by a broker-dealer where appropriate. The Design may be implemented by the Client directly with the securities recommended or through any other Financial Industry Regulatory Authority investment brokerage firm. Any commissions received by PFS from the implementation of the Design will be deducted from the portfolio design fee.

## FINANCIAL PLANNING

PFS and the IAR will charge a mutually agreed upon fee under a contract for Financial Planning based on the services requested, the skill of the Financial Planner, the complexity of the problem and the time required. Hourly rates can range from \$150 to \$350 per hour. All fees are negotiable and will be stated in the contract.

Services can include the review and formulation of personal financial goals and objectives, budgeting and expense management. We want to help bring the future back to today, while you can still do something about it. Services can also include review of the current estate of the Client with attention to asset conservation, capital needs, liquidity and estate/gift tax minimization. PFS does not draft wills, give legal advice or prepare tax returns, but PFS does assist the Client in understanding these areas and in the structuring of plans to achieve the Client's personal goals and objectives. We will work with Clients regarding their estate, social security benefits, insurance policies, disability income, property and casualty and other insurance related matters.

With regards to insurance, PFS is licensed as an insurance agency with several states. Within the context of financial planning, an IAR may recommend certain types of insurance. The IAR will generally be licensed to sell insurance. The Client may choose to use the IAR as the agent or use someone completely independent of PFS. If the Client decides to use the IAR as the agent, the IAR

will most likely receive a commission from the sale of the insurance product. The commission from the insurance will **not** reduce the PFS fee related to financial planning work done on the Client's behalf.

Services can also include income tax analysis and projecting alternative tax liabilities. Investments are reviewed as they impact the individual's tax situation. Tax planning recommendations are made including methods to minimize tax liabilities on both a state and federal level. A conflict can exist between the interests of the IAR and PFS and the interests of the Client. This can occur when the IAR is recommending financial or insurance products bearing a commission cost. Full disclosure is necessary and questions are encouraged.

Often an outside professional with a trained eye can be useful in reviewing investment objectives, strategies and products. Existing relationships can be encumbered with personalities, commission dollars and sometimes just a lack of sufficient training and experience. Outside evaluation can serve to confirm as well as to identify weaknesses. Financial assets are too difficult to acquire to risk on the advice of only one source. PFS and its IARs represent both long-term experience as well as a depth of research and knowledge. Fees are established on the same basis as Financial Planning and are negotiable.

PFS recommends at least an annual update and review for all Clients. PFS offers quarterly opportunities to Clients to meet and discuss their portfolio and personal financial condition. We encourage a Client to meet with us when a significant life event has occurred. PFS and its IARs may discuss with and advise a Client regarding any security not covered by a PFS Contract. The ultimate decision and responsibility regarding the security remains with the Client.

## INVESTMENT PORTFOLIO MONITORING

Investment Portfolio Monitoring is a "buy-hold and monitor closely" strategy to make sure that there is oversight and review. We follow security performance weekly and furnish the Client with quarterly written reports updating the Client on the progress and comparative values of the portfolio utilizing various averages and indexes.

We do not engage in market timing. We monitor asset and sector allocation, portfolio manager duration and financial results compared to like-type securities. We will recommend changes when appropriate for that specific Client. Clients do not have to use PFS as the broker-dealer or Charles Schwab as the custodian for portfolio monitoring. Any commissions received by PFS as part of portfolio monitoring will be used to offset the quarterly fee. The Client will be responsible for communicating asset values to PFS and the IAR for any asset either not custodied at Schwab or using PFS as the broker-dealer.

PFS, through its IARs, provides investment advice and appropriate investment products and services using these other business names: Tarara Asset Management; Kaye Financial Services; Larsen Financial Services; and The Kessler Financial Group. Stock ownership of PFS is Donald L. McCoy at 100%. There are no intermediate subsidiaries.

As of December 31, 2019, PFS managed approximately \$95,289,510 in assets for about 478 accounts. These assets are managed on a discretionary basis.

## Item 5 - Fees and Compensation

The specific manner in which fees are charged by PFS is established in a Client's written agreement with PFS. PFS will bill its fees on a quarterly basis in advance. Clients may elect to be billed directly for fees or to authorize PFS to directly debit fees from Client accounts. Management fees may be prorated for each capital contribution made during the applicable calendar quarter.

Accounts initiated during a calendar quarter may be charged a prorated fee based on the amount of time remaining in the current quarter. Upon termination of any account, any prepaid or unearned fees will be refunded upon the Client's written request, and any earned, unpaid fees will be due and payable. The unearned fee to be refunded to the Client will be based on the number of days remaining in the billing period. All PFS Contracts are cancelable on 24 hour written notice. All PFS contracts are cancelable upon receipt by PFS of the Client's written request. PFS does not charge a cancellation fee.

PFS bases its fees for Investment Portfolio Management on the total amount of assets managed. On a quarterly basis the fee generally ranges from 40 to 30 basis points for the first \$500,000, 30 to 25 basis points up to \$1,000,000, 25 to 22.5 basis points up to \$2,500,000 and 22.5 to 12.5 basis points for over \$2,500,000. There is a \$500 minimum quarterly fee. All fees are subject to negotiation, and these ranges are not dispositive.

PFS primarily uses no-load or load-waived mutual funds and no commission ETFs. Other securities used such as commission ETFs and individual equities can be used, but they may carry a fee or commission payable by the Client. Neither PFS nor the IAR will receive any part of the commissions or other fees charged by Schwab, or any compensation from any other source for accounts at Schwab. PFS will receive only the asset management fee charged to the Client. Any Charles Schwab Institutional Services transaction fees are deducted from the Client's account by Schwab. Mutual funds often have multiple share classes available. Some share classes have a fee, but lower expenses; some have no fee, but higher expenses. We endeavor to select the share class most appropriate for each specific Client at that time. We generally select a share class that keeps trading costs at a minimum for the Client, but at times, the selection of a fee fund may be more appropriate particularly if trading in that fund is expected to be minimal over time.

Fees for Investment Portfolio Monitoring are based on the gross amount monitored. On a quarterly basis the fee ranges from 40 to 30 basis points for the first \$500,000, 30 to 25 basis points up to \$1,000,000, 25 to 22.5 basis points up to \$2,500,000 and 22.5 to 12.5 basis points for over \$2,500,000. There is a \$500 minimum quarterly fee. All fees are subject to negotiation, and these ranges are not dispositive. If any commission funds are utilized, any money received by PFS will be deducted from the fee. The sale of commission based security products may present a conflict of interest between the Client and the IAR. PFS believes that offsetting the fee by the amount of the commission helps to minimize this potential conflict of interest.

The fee for Investment Portfolio Design will be a one-time 3% for the first \$250,000, 2.75% for the next \$250,000, and 1.75% for the next \$500,000. As noted, PFS deducts any commissions received as a result of the transaction from the fee. All fees are subject to negotiation. Fees for Financial Planning range from \$150 to \$350 per hour and are negotiable.



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

PFS does not use any performance-based fee-structure, i.e. fees based on a share of capital gains or capital appreciation of the assets of a Client. The nature of asset-based fees allows PFS to participate in the growth of the Client's wealth. Our fees can decline when the Client's portfolio declines in value.

## **Item 7 – Types of Clients**

PFS generally provides portfolio management services to individuals, families, trusts, estates, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, and other U.S. and international institutions. Client relationships vary in scope and length of service. PFS does not impose a minimum dollar value of assets or other conditions for opening or maintaining an account.

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

Investing in securities involves risk of loss that a Client should be prepared to bear.

Our primary investment strategy is to allocate Client money across economic sectors and asset classes using a variety of types of securities. We may use actively managed mutual funds, passively managed mutual funds, exchange traded funds, exchange traded notes, individual equities, individual bonds, closed-end funds, royalty trusts, equity real estate investment trusts, publically traded limited partnerships, US government and agency obligations, money market funds and FDIC insured bank certificates of deposit. Our investment approach recognizes the risk of loss and seeks to minimize risk of loss through security diversification across the globe, asset classes, economic sectors and market capitalization.

PFS both purchases and creates large volumes of research which is used for the benefit of all Clients. PFS tracks data weekly for its IARs on about 830 mutual funds, ETFs, stocks and other securities. The reports rank securities by their four-week total returns and includes each security's performance over one week, the year to date, over twelve weeks, fifty-two weeks, three years, five years and ten years on a rolling basis. We use a variety of sources for our research including Morningstar, Investment View, fund prospectuses, annual reports, stock analyst reports, financial newspapers and magazines and research materials prepared by others.

The IAR and PFS may have a limited Power of Attorney given by the Client under a signed PFS Investment Portfolio Management Contract to buy and sell assets in various accounts in the Client's portfolio without specific Client consent. In making these buy and sell decisions, the IARs and PFS will follow the guidelines established by the Client in the Agreement and in the Statement of Investment Policy (SIP). This SIP may even include instructions to not purchase certain types of assets such as investments concentrating in gold, energy, real estate, etc.

## **Item 9 – Disciplinary Information**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of PFS or the integrity of the firm's management. The firm and its employees and its affiliated advisers have not been involved in any legal or disciplinary events related to past or present activities.

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

The principal business of PFS is to its Investment Adviser Representatives in providing investment advice and appropriate investment products and services to their Clients. For this purpose, PFS is both a SEC Registered Investment Adviser and a Securities Broker/Dealer. PFS is a Financial Industry Regulatory Authority (FINRA) member Broker/Dealer handling securities and is a member of the Securities Investor Protection Corporation (SIPC).

Representatives of the firm are individual practitioners of financial planning who can also be licensed in other areas such as insurance (life, health, accident, casualty and fire), annuities, 529 Plans, etc. PFS spends approximately 20% of its corporate time in financial planning, 20% as a securities brokerage firm and 60% in research and investment advisory work.

PFS has a licensed independent agency relationship with various insurance companies in several states. PFS is not a General Agent for any company, nor does PFS accept compensation in any form beyond the normal and customary commissions. The IARs may or may not have other relationships and sources of income as independent contractors.

PFS has no arrangements, whether oral or in writing, where PFS receives cash or some other economic benefit; including commissions, equipment or non-research services from a non-Client in connection with giving advice to Clients.

## **Item 11 – Code of Ethics**

PFS has adopted a Code of Ethics for all supervised persons of the firm describing its standard of business conduct and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at PFS must acknowledge the terms of the Code of Ethics annually or as amended.

PFS anticipates that, in appropriate circumstances, consistent with Clients' investment objectives, it will cause accounts over which PFS has management authority to effect, and will recommend to investment advisory Clients or prospective Clients, the purchase or sale of securities in which PFS, its affiliates and/or Clients, directly or indirectly, have a position of interest. Employees of PFS and persons associated with PFS are required to follow its Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of PFS and its affiliates may

trade for their own accounts in securities which are recommended to and/or purchased for Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of PFS 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.

Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that they would not materially interfere with the best interests of a Client. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics. A full review is performed each quarter to reasonably prevent conflicts of interest between PFS and its Clients.

Certain affiliated accounts may trade in the same securities with Client accounts on an aggregated basis when consistent with PFS's obligation of best execution. In such circumstances, the affiliated and Client accounts will receive securities at a total average price. PFS will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

It is firm policy that PFS will not affect any principal or agency cross securities transactions for Client accounts. PFS will also not cross trades between Client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory Client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another Client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, acts as broker for both the advisory Client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

A complete copy of the PFS Code of Ethics, Personal Trading Policy and Trade Error Corrections Policy is available upon request. PFS, its IARs and employees all have a duty of good faith to act solely in the best interests of each Client. The interests of each Client will be placed ahead of the interests of the firm, its IARs and employees. We will exercise diligence and care in maintaining and protecting our Client's nonpublic, confidential information. We will conduct ourselves with integrity and avoid any actual or perceived conflict with our Clients. IARs and employees will provide duplicate trade confirmations and account statements for personal accounts directly to PFS. Any violation of this Code of Ethics and Personal Trading Policy must be reported to PFS. All IARs and employees are bound by SEC regulations regarding material nonpublic information. It is the policy and intention of PFS that all associated with PFS shall comply in every respect with the Insider Trading Act.

## Item 12 – Brokerage Practices

PFS utilizes the services of Charles Schwab Institutional Division to serve as custodian for the assets of our Investment Portfolio Management Clients. Schwab partners with Great-West Financial to custody discretionary Annuity accounts. Schwab holds each account separately in the Client's name. PFS will place securities transactions for execution with Schwab on behalf of the Client. PFS and its IARs understand their fiduciary duty to obtain the best execution possible for our Clients. Consistent with our fiduciary obligations, PFS seeks best execution in all transactions. We define best execution as the best price we believe we may obtain for a specific trade in light of all relevant circumstances.

PFS does not maintain custody of your assets that we manage although we may be deemed to have custody of your assets if you give us authority to withdraw assets. Your assets must be maintained in an account at a "qualified custodian" generally a broker-dealer or bank. We require that our Clients use Charles Schwab & Co. Inc., a registered broker-dealer, member SIPC, as the qualified custodian. PFS is not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we or you instruct them to. You enter into an account agreement directly with Schwab. We do not open the account for you though we do assist you in doing so.

PFS believes Schwab provides superior mutual fund and security execution along with providing high quality service. Although Schwab is a discount broker, it is not the cheapest of all. Schwab has discontinued charging commission on equities and ETFs for now. Some fees may still apply. The execution, electronic communication and general information provided by Schwab enables PFS to provide superior Portfolio Management to the Client. It is believed by PFS that our Clients pay lower transaction fees than Schwab's non-adviser accounts. PFS does not receive any portion of any trading fees. PFS performs an annual review of its best execution responsibilities.

We seek to use a custodian/broker that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including transaction services, asset custody services, capability to execute, clear and settle trades, capability to facilitate transfers and payments to and from accounts, breadth of available investment products, availability of investment research and tools, quality of service, competitive of price of services, reputation, financial strength and stability.

Schwab generally does not charge you separately for custody services but is compensated by charging fees on some trades that it executes. Schwab also receives compensation from companies whose securities are available on the Schwab platform. We have determined that having Schwab executed trades is consistent with our duty to seek "best execution" of your trades.

Schwab provides us and our Clients with access to its institutional brokerage services (trading, custody, reporting and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. These support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us.

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions and custody of Client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our Clients.

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our Clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our Clients' accounts. In addition, Schwab also makes available software and other technology that provides access to account data (such as duplicate trade confirmation and account statements), facilitate trade execution and allocate aggregated trade orders for multiple accounts, provide pricing and other market data, facilitate payment of our fees from our Clients' accounts and assist with back-office functions, record keeping and client reporting.

Schwab also offers other services intended to help us manage and further develop our business including educational conferences and events, consulting on technology, compliance, legal and business needs, publications and conferences on practice management. Schwab may provide some of these services itself or arrange with a third-party vendor to provide the service. Schwab or the vendor may waive or discount the cost of some of these services. Schwab may also provide us with other benefits, such as occasional business entertainment.

The availability of these services from Schwab benefits us because we do not have to produce or purchase them though we might already be subscribing to the same product or service independently of Schwab. We don't have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. We may have an incentive to require that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest.

We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our Clients. Our selection is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only us.

PFS strives to treat all Clients in a fair and equal manner. When practical and possible, Client trades in the same security will be bunched in a single order (a "block") in an effort to obtain best execution at the best security price available for all Clients included in that block trade. When employing a block trade, we will determine the allocations of a particular security before the trade is placed. We will attempt to fill Client orders by the end of the day. If the block order is not completely filled by the close of the market, we will allocate shares executed to the underlying accounts on a pro-rata basis, adjusted as necessary to keep Client transaction costs to a minimum and stay in line with specific account guidelines.

If a block order is filled (full or partial) at several prices through multiple trades, an average price will be used for all trades executed. All participants receiving securities from the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. It is expected that this trade aggregation and allocation policy will be applied consistently. However, if the application of the policy results in unfair or inequitable treatment to some or all of our Clients, we may deviate from this policy.

There are other Investment Advisers that charge more than PFS and its IARs and those that charge less for comparable services. We respect and endeavor to manage Risk. We aspire to be the best at what we do and provide a superior level of service to our Clients.

### **Item 13 – Review of Accounts**

PFS makes available to the IARs the positions and values of their Client portfolios on a daily basis. All IARs follow the financial markets daily and the individual securities at least weekly. PFS and/or the IAR will conduct a formal review of each account at a minimum of once per quarter and more frequently should conditions warrant. PFS and/or the IAR will also review a Client's account prior to meeting with the Client. All IARs will attempt to personally review with each Client their portfolio on a regular basis and will regularly contact the Client either personally or through quarterly mailing to encourage them to set up a meeting.

PFS also continually monitors holdings in Client accounts in regards to numerous factors including but not limited to performance, change in management and ownership, change in management style, potential capital gain and income distributions, costs and macroeconomic events. PFS employs investment guidelines in managing accounts as set forth in the Agreement and in the SIP signed by the Client. PFS holds monthly meetings of its Investment Committee to review securities, market conditions, client service ideas and new investment opportunities.

Investment Portfolio Management and Investment Portfolio Monitoring Clients will receive quarterly written reports. PFS and its IARs encourage Clients to make an appointment with their IAR to meet and discuss the reports and any material changes in the Client's financial condition or objectives. Separate complete reports are created for each account because different types of accounts can have different tax implications. The accounts, however, are managed as if they were a single entity. The first report is a consolidated report of all accounts with the individual account reports following. Clients also receive a report detailing results, positions and values quarterly. Clients may also receive a performance report (% and dollar gain or loss for the account) for other time frames such as year to date, the last twelve months and since the inception of the IAR's portfolio management. Clients may also be contacted by mail or telephone on current subjects of interest regarding the economy or situations that warrant the Client's attention. Performance reporting will be shown net of fees paid through accounts at Schwab.

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

PFS does not pay cash referral fees to either affiliated or unaffiliated entities that directly or indirectly solicit any Client for or refer any Client to PFS. For purposes of this policy, affiliated entities include any partner, officer, director, access person or employee of PFS or of any entity that is under common control of PFS.

PFS does not accept referral fees or any form of remuneration from other professionals when a prospect or Client is referred to them. PFS agrees to reduce its fees for Investment Portfolio Management to the Client when the assets of the Client's combined accounts reach a fee breakpoint. Clients may refer another Client to PFS. PFS may apply a lower tier fee rate for both Client accounts based on the combined value of the portfolios though each Client may pay a different fee rate.

We receive an economic benefit from Schwab in the form of support products and services it makes available to us and other independent investment advisors whose clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflict of interest are described above in Item 12. The availability of these products and services is not based on us giving particular investment advices, such as buying particular securities for our clients

## **Item 15 – Custody**

All assets are held at a qualified custodian. Clients should, at least, receive quarterly statements directly from the broker dealer, bank or other qualified custodian that holds and maintains Client's investment assets. These statements should be mailed to the address of record listed on the account. Clients can opt to have Schwab make statements along with other documents available on-line with email notification. In the case of Charles Schwab & Co., statements are usually sent monthly by Schwab directly to the Client with a copy to PFS. Accounts with no transactions will receive reports at least quarterly. PFS urges Clients to carefully review such statements and compare such official custodial records to the account statements that we may provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account or if you grant us authority to move your money to a third party account (even if you are also a party on that account). Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab's account statements with the periodic reports you will receive from us.

## **Item 16 – Investment Discretion**

PFS usually receives discretionary authority from the Client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases,

however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account as laid out in the SIP. If discretionary authority has not been given, PFS consults with the Client prior to each trade to obtain approval.

When selecting securities and determining amounts, PFS observes the investment policies, limitations and restrictions of the Clients for which it advises. For registered investment companies, PFS's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to PFS in writing. Clients are regularly provided with the opportunity to review portfolios and discuss specific transactions.

### **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, PFS does not have any authority to and does not vote proxies on behalf of advisory Clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in Client portfolios. PFS may provide advice to a Client regarding the voting of proxies, but the Client is responsible for the final decision.

### **Item 18 – Financial Information**

Registered Investment Advisers are required in this Item to provide you with certain financial information disclosures about PFS's financial condition. PFS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding. A balance sheet is not required to be provided because PFS does not serve as a custodian for Client funds or securities, other than as described above, and does not require prepayment of fees of more than \$1,200 per Client, six months or more in advance.

### **Item 19 – Cybersecurity**

The protection of personal client information is of paramount concern to the firm along with the protection of the firm's information. Cybersecurity is a vital part of the firm's risk management to a variety of threats. The frequency and sophistication of cyberattacks are increasing. The objectives of these attacks can range from theft of assets or identity to economic vandalism to using hardware for other purposes.

The firm through its Chief Compliance Officer will regularly, and no less than annually, conduct assessments to identify risks associated with firm assets and vendors and prioritize their remediation if necessary. The Chief Compliance Officer regularly consults with its IT firm to review the performance of security measures and to make frequent updates to the systems within this assessment. The Chief Compliance Officer will also take into account physical threats to cybersecurity.