

# SOURCE FINANCIAL ADVISORS, LLC

## **Brochure Dated March 16, 2020**

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**This brochure provides information about the qualifications and business practices of Source Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 273-0405. 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 Source Financial Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Source Financial Advisors, LLC's CRD number is 164825.**

**References herein to Source Financial Advisors, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

**Item 2            Summary of Material Changes**

There have not been material changes since the March 29, 2019 Form ADV filed on the IARD system.

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## Item 4            Advisory Business

- A. Source Financial Advisors, LLC (the “Registrant”) is a limited liability company formed on June 29, 2012 in the State of New York. The Registrant became registered as an Investment Adviser Firm in July 2012. The Registrant is principally owned by Michelle Smith. Ms. Smith is also the Registrant’s Managing Member. The Registrant is a fiduciary and is required to act in a client’s best interest at all times.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, pension and profit sharing plans, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management, generally between negotiable and 1.00%. Source may impose a minimum fee of \$5,000 per quarter and, in its sole discretion, may negotiate to waive its stated account minimum fee or to reduce any fee.

Registrant's annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

Registrant has entered into a contractual relationship with Dynasty Financial Partners, LLC (“Dynasty”), which provides Registrant with operational and back office support including access to a network of service providers. Through the Dynasty network of service providers, Registrant receives preferred pricing on trading technology, reporting, custody, brokerage, compliance and other related services. Dynasty charges a “Platform Fee,” for which, unless otherwise disclosed, the client will be charged, separate from and in addition to such client’s annual investment management fee, as described in Item 5. In addition, Dynasty’s subsidiary, Dynasty Wealth Management, LLC (“DWM”) is an SEC registered investment adviser, that provides access to a range of investment services including: separately managed accounts (“SMA”), mutual fund and ETF asset allocation strategies, and unified managed accounts (“UMA”) managed by external third party managers (collectively, the “Investment Programs”). Registrant and its clients may separately engage the services of Dynasty and/or its subsidiaries to access the Investment Programs. Under the SMA and UMA programs, Registrant will maintain the ability to select the specific, underlying third party managers that will, in turn, have day-to-day discretionary trading authority over the requisite client assets.

DWM sponsors an investment management platform (the “Platform” or the “TAMP”) that is available to the advisers in the Dynasty Network, such as Registrant. Through the Platform, DWM and Dynasty collectively provide certain technology, administrative, operations and advisory support services that allow advisers to manage their own portfolios and access independent third-party managers that provide discretionary services in the form of traditional managed accounts and investment models. Advisers can allocate all or a portion of client assets among the different independent third-party managers via the

Platform. Advisers may also use the model management feature of the TAMP by creating their own asset allocation model and underlying investments that comprise the model. Through the model management feature, advisers may be able to outsource the implementation of trade orders and periodic rebalancing of the model when needed.

Registrant will maintain the direct contractual relationship with each client and obtain, through such agreements, the authority to engage independent third-party managers, DWM and/or Dynasty, as applicable, for services rendered through the Platform in service of such client. Registrant may delegate discretionary trading authority to DWM and/or independent third-party managers to effect investment and reinvestment of client assets with the ability to buy, sell or otherwise effect investment transactions and allocate client assets. If a client is participating in certain Investment Programs, DWM or the designated manager, as applicable, is also authorized without prior consultation of Registrant or the client to buy, sell, trade or allocate such client's assets in accordance with the client's designated portfolio and to deliver instructions to the designated broker-dealer and/or custodian of such client's assets.

Additionally, Registrant uses DWM's customized portfolio solutions, which are offered to investment advisers through its Outsourced Chief Investment Officer Program (the "OCIO Program"). Through the OCIO Program, DWM provides discretionary investment management services through its Investment Committee, in concert with research furnished by Callan Associates and iCapital Securities, LLC. Portfolios are constructed, implemented and monitored through an institutional due diligence program that functions at the sub-manager and product level.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE BASIS)**

To the extent specifically requested by a client, the Registrant determines whether to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$5,000 to \$50,000 on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant recommends the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/ evaluating/ revising Registrant's previous recommendations and/or services.

#### **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance planning, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or an accountant and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis **must be willing to accept** that the Registrant cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

**Please Note: Inverse/Enhanced Market Strategies.** The Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Private Investment Funds.** Registrant may provide investment advice regarding unaffiliated private investment funds. The Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified

for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**Independent Managers.** The Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation, and client investment objectives. Factors which the Registrant shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Administrative Services.** The Registrant may use third-party providers for the purpose of performing certain administrative services. These providers have been authorized to receive client account information and/or data, including non-public personal information, to facilitate administration and reporting by the Registrant.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2019, the Registrant had \$398,176,690 in assets under management on a discretionary basis and \$66,613,880 on a non-discretionary basis for a total \$464,790,570.

## Item 5 Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>Annual fee as % of Assets*</u>
Up to \$5,000,000	1.00
\$5,000,001 to \$10,000,000	0.75
\$10,000,001 to \$15,000,000	0.60
\$15,000,001 to \$20,000,001	0.50
Above \$20,000,000	Negotiable

\*Source may impose a minimum fee of \$5,000 per quarter and, in its sole discretion, may negotiate to waive its stated account minimum fee or to reduce any fee.

As discussed above, Registrant uses Dynasty's TAMP services. TAMP related charges are not included in the investment management fee you pay to Registrant. You will be charged, separate from and in addition to your investment management fee, any applicable Platform Fees as well as applicable independent manager fees. Registrant does not receive any portion of the fees paid directly to Dynasty or the service providers made available through its platform, including the independent managers.

Each of the Platform Fee and independent manager fees are determined by the particular program(s) and manager(s) with which your assets are invested, and are calculated based upon a percentage of your assets under management, as applicable. The Platform Fee generally ranges from 0 - .45% annually, independent fixed income manager fees generally range from 0 - .90% annually, and independent equity manager fees generally range from 0 - 1.50% annually.

You will note the total fee reflected on your custodial statement will represent the sum of Registrant's investment management fee, Platform Fee(s) and independent manager fee(s), accordingly. You should review such statements to determine the total amount of fees associated with your requisite investments, and you should review your investment management agreement with Registrant to determine the investment management fee you pay to us.

### FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE BASIS)

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$5,000 to \$50,000 on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the



Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Fidelity Investments, LLC ("*Fidelity*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity* may charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees may be charged for certain no-load mutual funds, commissions may be charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). See Item 12 Brokerage Practices for additional disclosures. Independent Manager and Third-Party Provider fees are in addition to the fees for Investment Advisory Services previously discussed in Item 4 Advisory Business.
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the prorated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, business entities, pension and profit sharing plans, trusts, estates and charitable organizations. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s). Investing in securities involves risk of loss that clients should be prepared to bear.

- B. The Registrant's method of analysis and investment strategy does not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds), alternative investments and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices), on a discretionary basis in accordance with the client's designated investment objective(s).

As disclosed above, the Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the

corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts. (*See* Item 4B).

- D. The Registrant has an Investment Committee and the Members Michelle Smith and Patrick Huang from Source and Joe Dursi and Nick Gerace from Dynasty Wealth Management our non-affiliated third party subadvisor; review third party managers; discuss capital market assumptions; asset allocation; economic backdrop; meets quarterly; and minutes are taken.

## **Item 9           Disciplinary Information**

Source Financial Advisors, LLC and Michelle Smith entered into a consent order, reciting violations of Investment Advisers Act of 1940 Sections 206(2) and 207, that was filed with the U.S. Securities and Exchange Commission on May 5, 2017 regarding statements made concerning Ms. Smith's educational credentials and professional license. Without admitting or denying the SEC's findings, Ms. Smith agreed to pay a \$35,000 civil penalty, and Source Financial Advisors, LLC and Ms. Smith accepted a censure.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- B. The Registrant does not recommend or select other investment advisors for its clients for which it receives a fee.
- C. Registrant maintains a business relationship with Dynasty Financial Partners, LLC ("Dynasty"). Dynasty offers operational and back office core service support including access to a network of service providers. Through the Dynasty network of service providers, Registrant may receive preferred pricing on trading technology, transition support, reporting, custody, brokerage, compliance, and other related consulting services.
- D. While Registrant believes this open architecture structure for operational services best serves the interests of its clients, this relationship presents certain conflicts of interest due to the fact that Dynasty is paid by Registrant or its clients for the services referenced above. In light of the foregoing, Registrant seeks at all times to ensure that any material conflicts are addressed on a fully-disclosed basis and handled in a manner that is aligned with its clients' best interests. Registrant does not receive any portion of the fees paid directly to Dynasty, its affiliates or the service providers made available through Dynasty's platform. In addition, Registrant reviews such relationships, including the service providers engaged through Dynasty, on a periodic basis in an effort to ensure clients are receiving competitive rates in relation to the quality and scope of the services provided.
- E. Registrant has entered into an agreement with a Dynasty affiliate to sell, via a note, an agreed percentage of the revenue generated by Registrant and in return receives a fixed amount of funds payable over an agreed time frame. Such funds may be used for business transition expenses and other costs associated with launching operations and for business expansion. Registrant is not

obligated to enter into such a note in order to obtain other services from Dynasty, however, such notes are only made available for advisors who remain members of the Dynasty network of registered investment advisors. The notes are subject to standard underwriting practices by Dynasty and are based on commercially reasonable terms.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons." The Registrant's securities transaction policy requires that Access Persons of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Furthermore, Access Persons must provide the Chief Compliance Officer with a quarterly transaction report, detail all trades in the Access Person's account during the previous quarter; and on an annual basis, each Access Persons must provide the Chief Compliance Officer with a written report of the Access Person's current securities holdings. However, at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Fidelity*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/ custodian.

Factors that the Registrant considers in recommending *Fidelity* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### 1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Fidelity* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Fidelity* or any other entity to invest any

specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, John Glasheen, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**The Registrant's Chief Compliance Officer, John Glasheen, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13      Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principal. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an

annual basis.

- B. The Registrant *may* conduct account reviews on an other-than-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *Fidelity*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Fidelity*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, John Glasheen, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

#### **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance. Clients may have standing letters of authorization on their accounts. We have reviewed those relationships and determined that they meet the IAA no action letter seven conditions and do not trigger the surprise custody audit.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

**Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

## **Item 16 Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. The Registrant does not vote client proxies. 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 type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

## **Item 18 Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, John Glasheen, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**



**Confidentiality**

Protecting client privacy is very important to Registrant. Registrant views protecting its clients' private information as a top priority. Pursuant to the requirements of the Gramm-Leach-Bliley Act, Registrant has instituted policies and procedures to ensure that customer information is kept private and secure. Registrant does not disclose any non-public personal information about its clients or former clients to any nonaffiliated third parties, except as permitted by law. In the course of servicing a client account, Registrant may share some information with its service providers, such as, but not limited to, transfer agents, custodians, broker/dealers, accountants, and lawyers.

Registrant restricts internal access to non-public personal information about its clients to those employees who need to know that information in order to provide products or services to the client. Registrant maintains physical and procedural safeguards that comply with federal standards to guard a client's non-public personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be Registrant's policy never to sell information about current or former customers or their accounts to anyone. It is also Registrant's policy not to share information unless required to process a transaction, at the request of Registrant customer, or as required by law.

A copy of Registrant's privacy policy notice will be provided to each client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, Registrant will deliver a copy of the current privacy policy notice to its clients prior to changing its sharing practices.

## **Item 1 Cover Page**

**A.**

### **Michelle Marie Smith** **Source Financial Advisors, LLC**

**Brochure Supplement**  
**Dated March 16, 2020**

**Contact: John Glasheen, Chief Compliance Officer**  
**545 Fifth Avenue, Suite 1100**  
**New York, New York 10017**

**B.**

**This Brochure Supplement provides information about Michelle Marie Smith that supplements the Source Financial Advisors, LLC Brochure; you should have received a copy of that Brochure. Please contact John Glasheen, Chief Compliance Officer, if you did *not* receive Source Financial Advisors, LLC's Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Michelle Marie Smith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Ms. Smith's CRD number is 1588779 and she has passed Series Licenses 7 (11/1986), 24 (08/2007), 63 (07/1988), and 65 (10/1995).**

## **Item 2 Education Background and Business Experience**

Michelle Marie Smith was born in 1964. Ms. Smith attended Radford University. Ms. Smith has been an Investment Adviser Representative and Managing Member of Source Financial Advisors, LLC since September of 2012. Ms. Smith was a Registered Representative of PKS Financial Corporation from September of 2012 to May of 2017. From March of 2008 to September of 2012, Ms. Smith was the Senior Managing Member and co-founder of Alexandra & James Advisory Services, LLC and the Director and co-founder of Lebenthal & Co., LLC. From November of 2006 to March of 2008, Ms. Smith was a Registered Representative of IDB Capital Corp.

Ms. Smith has held the designation of Certified Divorce Financial Analyst (CDFA™) since 2004. CDFA™ professionals must develop their theoretical and practical understanding and knowledge of the financial aspects of divorce by completing a comprehensive course of study approved by the Institute for Divorce Financial Analysts. CDFA™ professionals must have two years minimum experience in a financial or legal capacity prior to earning the right to use the CDFA™ certification mark.

## **Item 3 Disciplinary Information**

Source Financial Advisors, LLC and Michelle Smith entered into a consent order, reciting violations of Investment Advisers Act of 1940 Sections 206(2) and 207, that was filed with the U.S. Securities and Exchange Commission on May 5, 2017 regarding statements made concerning Ms. Smith's educational credentials and professional license. Without admitting or denying the SEC's findings, Ms. Smith agreed to pay a \$35,000 civil penalty, and Source Financial Advisors, LLC and Ms. Smith accepted a censure. Please see [www.finra.org/brokercheck](http://www.finra.org/brokercheck) and/or the IAPD link [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for additional information about Michelle Marie Smith, CRD #1588779.

## **Item 4 Other Business Activities**

- A. Smith Financial Strategies, LLC dba Smith FSG; not-investment related; 545 Fifth Ave, Suite 1100, New York, NY 10017; Certified Divorce Financial Analyst (provide supporting financial

information and evaluations); Principal; began business in October 2006; devote 10-20 hours per week to the business, 5 hours during securities trading hours.

- B. The Ideal School of Manhattan, not investment related, 351 West 91<sup>st</sup> Street NY, NY, K-12 school, Treasurer, began July 2005, 1 hour devoted per month, 0 hours devoted during trading hours, Co-Founder of school.
- C. PAC Divorce, Inc.-Not investment related-No compensation-50 South Street, Suite 250, Denver, CO-Divorce Financial Analysis business-Passive Director-January 2014, 0 hrs/mth, 0 during trading hrs, minority owner.

## **Item 5 Additional Compensation**

See Item 4.

## **Item 6 Supervision**

The Registrant provides investment advisory and supervisory services in accordance with the Registrant's policies and procedures manual. The primary purpose of the Registrant's Rule 206(4)-7 policies and procedures is to comply with the supervision requirements of Section 203(e)(6) of the Investment Adviser's Act ("*Act*"). The Registrant's Chief Compliance Officer, John Glasheen, is primarily responsible for the implementation of the Registrant's policies and procedures and overseeing the activities of the Registrant's supervised persons. Should an employee, independent contractor, investment adviser representative, or solicitor of the Registrant have any questions regarding the applicability/relevance of the *Act*, the Rules thereunder, any section thereof, or any section of the policies and procedures, he/she should address those questions with the Chief Compliance Officer. Should a client have any questions regarding the Registrant's supervision or compliance practices, please contact Mr. Glasheen at (212) 273-0405.

The Registrant has an Investment Committee and the Members Michelle Smith and Patrick Huang from Source and Joe Dursi and Nick Gerace from Dynasty Wealth Management our non-affiliated third party subadviser; review third party managers; discuss capital market assumptions; asset allocation; economic backdrop; meets quarterly; and minutes are taken.

## **Item 1 Cover Page**

**A.**

### **Patrick Shi-Fan Huang** **Source Financial Advisors, LLC**

**Brochure Supplement**  
**Dated March 16, 2020**

**Contact: John Glasheen, Chief Compliance Officer**  
**545 Fifth Avenue, Suite 1100**  
**New York, New York 10017**

**B.**

**This Brochure Supplement provides information about Patrick Shi-Fan Huang that supplements the Source Financial Advisors, LLC Brochure; you should have received a copy of that Brochure. Please contact John Glasheen, Chief Compliance Officer, if you did *not* receive Source Financial Advisors, LLC's Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Patrick Shi-Fan Huang is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Mr. Huang's CRD number is 6176566 and he has passed Series Licenses 7 (04/2013), 66 (05/2013), and Securities Industry Essentials (10/2018).**

## **Item 2 Education Background and Business Experience**

Patrick Huang was born in 1986. Mr. Huang received a degree in Economics & International Studies from the University of Kentucky in 2009. Mr. Huang has been an Investment Adviser Representative of Source Financial Advisors, LLC since December of 2019. Mr. Huang was a Registered Representative of Morgan Stanley from April of 2013 to July of 2019 and an Investment Adviser Representative with Morgan Stanley from May of 2013 to July of 2019.

## **Item 3 Disciplinary Information**

There are no legal or disciplinary events that are related to the above listed supervised person.

## **Item 4 Other Business Activities**

The above listed supervised person does not have a pending application to register as a registered representative, an associated person of a futures commission merchant, a commodity pool operator, or a commodity trading adviser.

## **Item 5 Additional Compensation**

None.

## **Item 6 Supervision**

The Registrant provides investment advisory and supervisory services in accordance with the Registrant's policies and procedures manual. The primary purpose of the Registrant's Rule 206(4)-7 policies and procedures is to comply with the supervision requirements of Section 203(e)(6) of the Investment Adviser's Act ("*Act*"). The Registrant's Chief Compliance Officer, John Glasheen, is primarily responsible for the implementation of the Registrant's policies and procedures and overseeing the activities of the Registrant's supervised persons. Should an employee, independent contractor, investment adviser representative, or solicitor of the Registrant have any questions regarding the applicability/relevance of the *Act*, the Rules thereunder, any section thereof, or any section of the policies and procedures, he/she should address those

questions with the Chief Compliance Officer. Should a client have any questions regarding the Registrant's supervision or compliance practices, please contact Mr. Glasheen at (212) 273-0405.

The Registrant has an Investment Committee and the Members Michelle Smith and Patrick Huang from Source and Joe Dursi and Nick Gerace from Dynasty Wealth Management our non-affiliated third party subadviser; review third party managers; discuss capital market assumptions; asset allocation; economic backdrop; meets quarterly; and minutes are taken.