

# **Klingman and Associates, LLC**

120 West 45th Street  
Suite 3800  
New York, NY 10036

**Telephone: 212-867-7647**

**Facsimile: 212-752-2150**

**[www.klingmanria.com](http://www.klingmanria.com)**

April 13, 2021

## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Klingman and Associates, LLC. If you have any questions about the contents of this brochure, please contact us at 212-867-7647. 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 Klingman and Associates, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Klingman and Associates, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their Form disclosure brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last updating amendment dated March 26, 2020 we have no material changes to report.

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## Item 4 Advisory Business

### **Description of Firm**

Klingman and Associates, LLC is a registered investment adviser based in New York, NY. We are organized as a limited liability company ("LLC") under the laws of the State of New York and have been registered with the SEC since 2007. We have been providing investment advisory services under the Klingman & Associates, LLC name since 2001.

The following paragraphs describe our services and fees. Refer to the description of each advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," "us" and "K&A" refer to Klingman and Associates, LLC and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

### **Wealth Management Services**

K&A provides wealth management services primarily to high net worth individuals and their families, trusts, estates, charitable organizations/endowments, and pension or profit sharing plans. Depending on your individual needs and circumstances, we will provide you with a combination of financial planning, investment planning and management, tax planning, estate planning, education planning, philanthropic planning, or risk management services.

The first phase of K&A's work with a client is to have an in-depth personal interview to understand your personal life goals and how those objectives may be impacted by your past, current, and future financial situation; your future goals; and your attitudes towards risk. We then gather, organize, and evaluate data and other information about your past, current, and anticipated financial situation, including information about personal and family investment experience, business/career, spending and saving, taxes, estate plans, insurance, debt, special needs, etc. This allows K&A to work with you to develop wealth management strategies that are carefully aligned with your goals.

### ***Investment Management Approach***

K&A provides continuous advice to you regarding investment of your funds based on your individual needs. After reviewing your age, income needs, desire for capital appreciation, tax considerations, investment experience, risk tolerance and other relevant issues, you are assigned to an asset allocation model. K&A will manage advisory accounts on a discretionary basis. In select cases, we will agree to manage advisory accounts on a non-discretionary basis. If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and the appropriate trading authorization forms. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

In certain situations, we may invest a portion of your assets in separate accounts managed by unaffiliated third party money managers. We will regularly monitor the performance of such accounts, and may hire and fire any such third party money manager without your prior approval. You would sign additional agreements related to any such account that would include a description of any fees to be paid related to these accounts. K&A would not earn additional fees if your money is invested with unaffiliated third party money managers.

In many cases, a client can have certain investment accounts and/or pre-existing investments that will not be directly managed by us. You may request that we incorporate these holdings into our reporting to facilitate overall planning and investment management services. These assets will not be directly traded by K&A although they will be incorporated into the advice provided for and reports provided to you.

### **Retainer Services**

Certain clients may have significant assets and interests that require ongoing advice that is either outside the scope of the Wealth Management Services above or that do not accompany ongoing investment management services. The nature of these circumstances and the underlying assets requires a different service approach for such clients. In these situations we will:

1. assess the financial opportunities, obligations, and challenges you face;
2. educate you about your financial situation, goals and concerns;
3. coordinate action between you and appropriate other professionals (e.g., portfolio managers, attorneys, accountants, bankers, insurance agents, bookkeepers) to address these goals and concerns.

We will meet with you regularly to review investment performance and other areas specified during the assessment and planning phase. K&A will also evaluate how your life and financial situation has changed to determine whether we can recommend new tools or strategies to manage your current and future financial situation. K&A also assists in the establishment of custodial accounts and investment management relationships not provided by us, review and monitoring of investments relative to your overall investment strategy and appropriate benchmarks, and the effect of those accounts on your overall financial situation.

Although K&A will support and coordinate these actions, implementation of the appropriate financial strategies depends upon you taking action and is entirely at your discretion.

### **Consulting Services**

From time-to-time, K&A may provide project-based advice in the form of detailed written financial plans designed to achieve your stated financial goals and objectives. We may also provide advice on non-securities matters such as retirement planning, estate planning, education planning and insurance.

Additionally, we offer investment and other consulting services to plan sponsors of retirement plans. Such engagements are typically ongoing in nature.

Implementation of any of the recommendations provided under these services is entirely at your discretion. Should you choose to implement any such recommendation, you are not obligated to do so through any of our other investment advisory services. We suggest that you work closely with your attorney, accountant, insurance agent, and/or other advisors.

### **Types of Investments**

We primarily offer advice on Equity Securities, Corporate Debt, Municipal Securities, Investment Company Securities, including Mutual Funds, and ETFs, and alternative investments. Refer to the *Methods of Analysis, Investment Strategies and Risk of Loss* below for additional disclosures on this topic. Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

Since our investment strategies and advice are based on each client's specific financial situation, the investment advice we provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment.

### **Assets Under Management**

As of December 31, 2020, K&A had the following in assets under management:

Discretionary	Assets: \$2,402,742,547
Non-Discretionary	Assets: \$297,832,035
Total	Assets: \$2,700,574,582

## **Item 5 Fees and Compensation**

### **Wealth Management Service Fees**

Our fee for wealth management services is based on a percentage of the assets in your account and is set forth in the following annual fee schedule:

<b>Account Value</b>	<b>Annual Fee</b>
First \$2,000,000	1.00%
Next \$3,000,000	0.80%
Next \$5,000,000	0.60%
Next \$15,000,000	0.40%
Greater than \$25,000,000	0.25%

When an account is opened, the asset-based fee is billed for the remainder of the current calendar quarter and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value as of the last business day of the previous calendar quarter, and becomes due the following business day. We may determine that certain securities and/or accounts that you hold be excluded for billing purposes and shall not be included in the determination of account value for billing purposes. If cash or securities, or a combination thereof, accounting to at least \$100,000, are deposited to or withdrawn from your account on an individual business day, you will: (i) be assessed asset-based fees based on the value of the assets on the date of deposit for the pro rata number of days remaining in the quarter, or (ii) refunded prepaid asset-based fees based on the value of the assets on the date of withdrawal for the pro rata number of days remaining in the quarter.

At our discretion, we may combine the account values of family members to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee rate based on the available breakpoints in our fee schedule stated above.

We will typically deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will do so only when you have given our firm written authorization permitting the fees to be paid directly from your account. For certain accounts or account types from which we cannot deduct fees directly, we will ask you for written authorization to deduct fees attributable to such accounts from another one of your accounts under our supervision.

The qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account, including fees paid to K&A. You should review all statements for accuracy including the determination of the appropriate fee rate. If you find any inconsistent information, please call our main office number located on the cover page of this brochure.

We reserve the right to negotiate fees based on particular client circumstances. Further, many client relationships existed prior to the implementation of our current fee schedule. As a result, clients' fees may differ (higher or lower) from the fee schedule above.

You may terminate the advisory agreement with us at any time upon written notice. You will incur advisory fees in proportion to the number of days in the quarter for which you were a client prior to the termination of your advisory agreement. If you have paid advisory fees in advance, you will receive a pro-rated refund of such fees based on the number of days remaining in the period for which you have paid fees in advance.

### **Retainer Service Fees**

K&A charges a fixed fee for retainer services typically ranging from \$5,000 to \$300,000, as agreed upon in your client agreement. You will typically be billed semi-annually either in advance or in arrears. If the overall scope of the relationship changes, we may mutually agree to adjust the amount to be paid.

Either party may terminate the retainer agreement upon written notice to the other. The retainer fee will be pro-rated for the period in which the cancellation notice was given. In the event that you are billed in advance, we will refund the pro-rata portion of the fee related to the period after the date of cancellation.

### **Consulting Services**

Fees for a stand-alone financial plan will generally range from \$2,500 to \$50,000 depending on the complexity and scope of the plan, your financial situation, or your objectives. Ongoing retirement plan consulting services are charged either a fixed or asset-based fee depending on the nature of the consulting services provided. The exact fee is determined on a case-by-case basis, and is dependent on the nature and complexity of a client's circumstances. All fees are mutually agreed upon prior to entering into an agreement.

All financial planning fees are due upon completion and delivery of the plan. Consulting service fees are typically paid quarterly although the time period may vary based on the nature of the relationship and may be due in advance or in arrears. Either party may terminate a financial planning or consulting services agreement upon written notice to the other. You may incur a pro rata charge for financial planning and/or consulting services rendered prior to such termination.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Certain open-end mutual funds, in addition to assessing management fees, internally assess a distribution fee pursuant to section 12(b)-1 of the Investment Company Act of 1940, or an administrative or service fee ("trail"). Such fees are included in the calculation of operating expenses of a mutual fund. In select cases, a portion of your funds may be

invested in separate accounts managed by unaffiliated third party money managers. Such third party money managers will charge fees and expenses related to their services which are separate and distinct from the fees that you pay our firm for investment advisory services.

You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through which your account transactions are executed. In addition, you may incur additional account maintenance charges or taxes assessed by the broker-dealer or custodian for items such as wire transfer fees and transfer taxes.

We do not share in any portion of the brokerage fees, transaction charges, or account charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this brochure.

In certain situations, we may trade client accounts on margin. Each client must sign a separate margin agreement before margin is made available to that client account. Fees for advice and execution on these securities are based on the total asset value of the account, which includes the value of the securities purchased on margin. While a negative amount may show on a client's statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This creates a conflict of interest where we have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

#### **Compensation for the Sale of Securities or Other Investment Products**

In addition to our firm working with third party individuals who are licensed as insurance agents, persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation when they sell insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above.

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

We offer investment advisory services to individuals (other than high net worth individuals), high net worth individuals, pension and profit sharing plans, estates, charitable organizations, and other types of corporations.



In general, we require a minimum of \$2,000,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum as an accommodation for clients' family members or if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

K&A's investment methodology is determined by our Investment Committee. The Investment Committee is comprised of our Chief Investment Officer, Wealth Advisors, Director of Investments, Financial Planning Associates, and other associates as appropriate. This committee typically meets on no less than a monthly basis and often meets more frequently. The Investment Committee is chaired by our Chief Investment Officer.

### **Methods of Analysis and Associated Risks:**

K&A's investment philosophy is based on the principles of Modern Portfolio Theory. Modern Portfolio Theory attempts to construct an "efficient frontier" of portfolios that maximize portfolio expected return for a given amount of market risk over time. The approach relies on using asset allocation to build client portfolios. Asset allocation is the process of combining different asset classes, based on their future expected returns, volatility and correlations, to create these efficient portfolios. Based on your goals, risk tolerance, and time frame, we choose an asset allocation framework that meets your needs.

The key risk in using this approach is that the asset allocation framework may be based on assumptions that prove to be incorrect. Additionally, the method is subject to market, or systematic, risk which cannot be eliminated by a diversified asset allocation framework. Market risk is the possibility of an investor experiencing losses due to factors that affect overall financial markets rather than a specific security. This can be contrasted with unsystematic risk, which is unique to a specific company or industry, which Modern Portfolio Theory looks to reduce.

In implementing asset allocation frameworks, K&A performs both qualitative and quantitative research and analyses on a range of investment products, including but not limited to mutual funds, exchange-traded funds, separate accounts, and alternative investments. Risks of utilizing these investment products include the possibility of manager turnover, style drift, underperformance, size constraint, tax inefficiency, liquidity constraints, and fee changes. For alternative investments that charge performance fees, there is risk that a manager makes investments that are riskier than would be the case in the absence of such an arrangement.

### **Risk of Loss:**

We employ a long-term investment strategy, focusing on remaining invested across various asset classes despite market fluctuations. Investing in securities involves risk of loss that you should be prepared to bear. We do not represent, warrant, or imply that the services or methods of analysis we employ can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by clients:

- **Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and

sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

- Inflation and Interest Rate Risk: Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates.
- Horizon Risk: The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job, that may force you to sell investments that you were expecting to hold for the long term.
- Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired or are nearing retirement.
- Liquidity Risk: The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets.

### **Specific Security Type Risk:**

We do not primarily recommend a particular type of security, investment, or strategy. We typically recommend a diversified portfolio of investments across asset classes and security types for clients. In certain situations, we may recommend clients invest in illiquid alternative investments, primarily private equity funds. Monies invested in private equity funds are typically "locked up" for a number of years and thus offer less liquidity for investors. Because of their illiquid nature, private equity funds may not be suitable for those investors that may require shorter term access to their funds.

## **Item 9 Disciplinary Information**

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures under this item.

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

### **Arrangements with Affiliated Entities**

We are affiliated with Klingman Risk Management, LLC through common control and ownership. Therefore, persons providing investment advice on behalf of our firm may be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. See the *Fees and Compensation* section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm. This affiliated firm is otherwise regulated by the professional organizations to which it belongs and must comply with the rules of those organizations. These rules may prohibit paying or receiving referral fees to or from investment advisers that are not members of the same organization.

Referral arrangements with an affiliated entity present a conflict of interest for us because we may have a direct or indirect financial incentive to recommend an affiliated firm's services. While we believe that compensation charged by an affiliated firm is competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use the services of any firm we recommend, whether affiliated or otherwise, and may obtain comparable services and/or lower fees through other firms.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions**

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

### **Aggregated Trading**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("aggregated trading"). Refer to the *Brokerage Practices* section in this brochure for information on our aggregated trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We typically recommend the brokerage and custodial services of Raymond James & Associates, and Charles Schwab Institutional (whether one or more "Custodian"). In recognition of the value of the services the Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Nonetheless, we have a duty to seek best execution for client accounts.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services.

- The likelihood that your trades will be executed.
- Availability of investment research and tools.
- Overall quality of service provided.
- Competitiveness of total cost.
- Reputation, financial strength, and stability.
- Existing relationship with our firm and our clients.

### **Research and Other Soft Dollar Benefits**

We do not have any soft dollar arrangements.

### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firms. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealer referral programs.

### **Directed Brokerage**

In most cases, we require that you direct our firm to execute transactions through Raymond James & Associates and/or Charles Schwab Institutional. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

### **Aggregated Trades**

We combine multiple orders for shares of the same securities purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Generally, participating accounts will pay a fixed transaction cost regardless of the number of shares transacted. In certain cases, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in aggregated trading with your accounts; however, they will not be given preferential treatment.

We do not aggregate trades for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

### **Mutual Fund Share Classes**

Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. When we purchase, or recommend the purchase of, mutual funds for a client, we select the share class that is deemed to be in the client's best interest, taking into consideration cost, tax implications, and other factors. When the fund is available for purchase at net asset value, we will purchase, or recommend the purchase of, the fund at net asset value. We also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent deferred sales charges.

## **Item 13 Review of Accounts**

The underlying securities within client accounts are continuously monitored by the member(s) of K&A that are responsible for management of the account. Either one of our Wealth Advisors, a member of our investment team, or a combination thereof may be responsible for the monitoring and management of an account. More frequent reviews may be triggered by material changes in variables such as a client's individual circumstances, or the market, political or economic environment.

Wealth management clients will receive trade confirmations and monthly or quarterly statements from their Custodian(s). In addition, K&A will provide wealth management clients with semi-annual reports that consist of a breakdown of the portfolio by asset class and a market commentary.

Retainer and consulting client accounts will be reviewed as contracted for at the inception of the relationship. In addition to the periodic statements and confirmations of transactions that you receive from the Custodian, we will provide retainer clients with semi-annual reports that consist of a breakdown of the portfolio by asset class and a market commentary. Consulting clients may receive periodic reports based on the nature of the services described in their specific client agreement.

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

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are licensed insurance agents. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Fees and Compensation* section.

We directly compensate non-employee individuals and/or entities (solicitors) for client referrals. In order to receive a cash referral fee from us, solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to us by a solicitor, you should have received a copy of this brochure along with the solicitor's disclosure statement at the time of the referral. If you become a client, the solicitor that referred you to us will receive a percentage of the advisory fee you pay us for a period of time as specified in our agreement with the solicitor. You will not pay additional fees because of this referral arrangement. Referral fees paid to a solicitor are contingent upon your entering into an advisory agreement with us. Therefore, a solicitor has a financial incentive to recommend us to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain us for advisory services.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the solicitor's compensation is less favorable.

## Item 15 Custody

As paying agent for our firm, your independent custodian will typically directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts, which would be authorized by you, causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

### **Trustee and Executor Services**

Our firm, or persons associated with our firm may serve as trustee or executor to certain accounts for which we provide investment advisory services. Serving as trustee or executor for a given account gives our firm custody over such account. These accounts will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. You should carefully review account statements for accuracy.

### **Use of Client Log-in Credentials**

Our firm or persons associated with our firm may be in possession of log-on information to the client's investment accounts. In general, where our account access gives us the ability to control client funds and securities, we are deemed to have custody. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer or other independent, qualified custodian.

### **Standing Letter of Authorization**

Our firm, or persons associated with our firm, may effect transfers from client accounts to one or more third parties designated by the client without obtaining written client consent for each separate, individual transaction, as long as the client has provided us with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party wire transfers from a client account has access to the client's assets, and therefore has custody of the client's assets in that account.

However, we do not have to obtain a surprise annual audit relating to such accounts as long as we meet the following criteria:

1. You provide a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. You authorize us in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Your qualified custodian verifies your authorization (e.g., signature review) and provides a transfer of funds notice to you promptly after each transfer;
4. You can terminate or change the instruction;
5. We have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. We maintain records showing that the third party is not a related party to us nor located at the same address as us; and
7. Your qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.



## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our investment advisory agreement and the appropriate trading authorization forms. You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your accounts. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights.

In most cases, you will receive proxy materials directly from the Custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we may forward any solicitations to vote proxies electronically.

## **Item 18 Financial Information**

We have not filed a bankruptcy petition at any time in the past ten years and know of no reason that our financial condition would be impaired in meeting our contractual obligations to clients.

## **Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.