

# Simplicity Wealth

## Part 2A of Form ADV: Firm Brochure

*This brochure provides information about the qualifications and business practices of Simplicity Wealth, LLC (Simplicity Wealth). If you have any questions about the contents of this brochure, please contact us at 201.987.7184 or by email at: [info@simplicitywealth.com](mailto:info@simplicitywealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*We are a registered investment advisor. Registration does not imply a certain level of skill or training.*

*Additional information about Simplicity Wealth is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). Simplicity Wealth's CRD number is: 300572.*

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## *Item 2: Material Changes*

This Item identifies and summarizes only those material changes that have occurred since the last annual update of our firm brochure. Since that time, we have made the following material changes to this brochure.

### Item 4: Advisory Business – Introduction and Overview

Jared Margolies now serves as the Chief Compliance Officer for Simplicity Wealth.

### Item 4: Advisory Business – Introduction and Overview

Our principal office and place of business was recently updated.

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

### ***Introduction and Overview***

This brochure contains important information. We encourage you to read it carefully and ask questions if there is any information that you do not understand.

In this brochure, references to “we,” “us,” “our,” or “our firm” refer to Simplicity Wealth. Individuals who serve as our managers, officers, employees, and investment advisor representatives may also be referred to as our “advisors.” Our firm’s clients and prospective clients are referred to as “you,” “your,” or “our clients.”

Simplicity Wealth is an investment advisor registered with the SEC since 2019. Our principal owners are Simplicity Financial Marketing Holdings Inc. and Advisory Alpha, LLC (Advisory Alpha). Jared Margolies serves as our Chief Compliance Officer.

### ***Types of Advisory Services available through our SubAdvisory Relationship***

When appropriate for your situation, we may select a third-party manager to act as a subadvisor for your account. When we do so, we will select a manager whose style and talent best fits your individual needs and objectives. Your agreement with us gives us the authority to hire or fire these managers on your behalf. Once a subadvisor is selected, we will continue to monitor their performance. Some of the investment management services we offer are in the form of model portfolios provided by Advisory Alpha that invest in a variety of diversified allocations structured towards a wide range of investment goals.

### ***Variable Annuity Services***

The subadvisor manages a series of portfolios on fee-based variable annuity platforms. Versions of our portfolios are offered and constructed using the subaccounts made available by the variable annuity platforms. This allows for larger tax-deferrals and it allows you to consolidate variable annuity gains under a single contract. With access to the various subaccounts through the variable annuity platforms, all portfolio models are appropriately managed and diversified according to the stated investment objective. The platforms have varying fees, the selected subaccounts are subject to various internal expenses, and we charge a management fee.

### ***Directly-Held Mutual Fund Services***

The subadvisor manages a series of portfolios on directly-held mutual fund platforms. Versions of our portfolios are offered and constructed using the mutual funds made available by the platforms. This can provide efficient diversification for specific account types, ease of making account contributions, and simple access to certain mutual fund managers. The platforms have varying fees, the selected mutual funds are subject to various internal expenses, and we charge a management fee.

### ***Retirement Plan Services***

In conjunction with the advisory services offered from the subadvisor, our turnkey retirement plan platform provides qualified retirement plan sponsors with a flexible, yet easy solution that includes significant fiduciary protection and powerful investment selections. The subadvisor generally serves as a 3(38) Investment Fiduciary but may serve in a 3(21) capacity depending on your needs. The key difference between these two types of fiduciaries is whether you engage us as a discretionary manager. As a 3(38) manager, you give discretionary authority to manage your plan's assets. This means you shift your fiduciary responsibility to the subadvisor for the selection of your investments. If you hire a 3(21) advisor, the subadvisor will make recommendations, but it is ultimately up to you, as the plan sponsor, to decide whether and how to act. As a 3(21) advisor, the subadvisor will not have discretion to invest and reinvest your assets without your prior consent. Thus, as a 3(21) advisor, the subadvisor will share responsibility for the selection of investments.

Five professionally-managed portfolio models are offered to plan participants. All five portfolio models are fully diversified and actively managed to maximize potential returns at each risk level. Plan participants are also given the option of constructing their own investment portfolios using a selection of investment choices. The professionally managed portfolios are available at no additional expense.

### ***Financial Planning***

We offer a broad range of comprehensive financial planning services which may include tax-related and other non-investment related matters. These engagements may be for one-time, initial planning and/or ongoing planning services. Financial plans and financial planning may include but are not limited to: investment planning; tax concerns; retirement planning; college planning, private placements, real estate transactions; and, for 401(k) plans, investment due diligence. These services are based on fixed or hourly fees and the final fee structure is documented in the advisory agreement with our clients.

### ***Services Limited to Specific Types of Investments***

We generally limit investment advice and/or money management to exchange traded funds (ETFs), mutual funds, and structured products. However, we may use other securities, (e.g., closed-end mutual funds, variable annuities and individual securities) to help diversify a portfolio when applicable.

### ***Client Tailored Services and Client Imposed Restrictions***

We offer the same suite of services to all of our clients. However, your specific financial goals and their implementation depend on your Investment Policy Statement that outlines your current situation (income, tax levels, and risk tolerance levels). This is used in conjunction with gathered investment objective information to construct your plan and help select a portfolio that matches your restrictions, needs, and targets.

You may impose restrictions on investing in certain securities or types of securities in accordance with your values or beliefs. If you choose to impose restrictions on our portfolio management, you should be aware that it could cause your account to underperform compared to similar portfolios that do not apply such restrictions. Accordingly, you may forego opportunities for us to buy certain securities when it might otherwise be advantageous to do so, or you may request us to sell securities when it might otherwise be disadvantageous to do so.

Additionally, if your restrictions prevent us from properly servicing your account or require us to deviate significantly from our standard suite of services, we reserve the right to end our relationship with you.

#### ***Assets under Management (AUM)***

On March 18, 2021, Simplicity Wealth's total assets under management ("AUM") are \$164,761,163. Discretionary assets under management are \$164,761,163 for 1,779 accounts and we have no non-discretionary assets under management.

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

##### ***Ongoing Fee Arrangements***

Advisory fees are typically based on a percentage of your advisory assets under management and range from .10% to 2.00%. We charge fees based on a percentage of your assets under management. This fee arrangement applies to individual, institutional, and retirement plan clients. You are never charged additional fees to cover the fee sharing agreements associated with our subadvisory relationships. The fees shared will not exceed any limit imposed by any regulatory agency.

Our fees are negotiable depending on your needs and complexity of your situation. In all cases, the final fee schedule is outlined in the agreement that you sign. Generally, our fees are paid monthly in arrears, and you may terminate your agreement with thirty (30) days' written notice. Because fees are charged in arrears, no refund policy is necessary. Fees associated with new accounts are pro-rated based on the time invested. In addition, fees associated with cash-flows (contributions and withdrawals) are pro-rated based on the timing of the cash flow. You may terminate your accounts without penalty within five (5) business days of signing the client agreement.

##### ***Project-Based Fee Arrangements***

Depending on the complexity of your situation and needs, we may enter into a project-based advisory arrangement whereby fees will be assessed on a fixed or hourly basis. Hourly fees are between \$50 and \$400 per hour while fixed fees are determined on a case by case basis, but generally range from \$1,000 to \$10,000. The fees are negotiable and the final fee schedule will be outlined in the agreement you sign. Fees are typically paid in arrears upon completion.

However, some Investment Advisor Representatives may choose to require up to one-half of the fee (estimated hourly or fixed) payable upon engagement with the balance generally being due upon delivery of the financial plan or completion of the agreed upon services. You may terminate your agreement without penalty within five (5) business days of signing the advisory agreement.

Generally speaking, if a client engages the firm to provide a financial plan for a fixed fee, once the plan is delivered, the firm will provide ongoing wealth management for an inclusive fee based on the amount of assets being managed and the complexity of planning issues.

### ***Payment of Advisory Fees***

Advisory fees are generally withdrawn directly from your account with your written authorization, including accounts established through a subadvisory arrangement. You may remove this authorization for direct billing of fees at any time by notifying us or your custodian in writing. Advisory fees may also be invoiced (billed directly to you) and paid via check. You may use the billing payment method (direct withdrawal or invoice) of your choice.

### ***Clients Are Responsible For Third-Party Fees***

You are responsible for the payment of all third-party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Insurance products, such as annuities, may also have associated fees and expenses. All third-party fees are separate and distinct from the fees and expenses that we charge. Please see Item 12 of this brochure regarding brokerage practices.

ETFs and mutual funds typically charge their shareholders various transactions and operating expense costs associated with the establishment and operation of the funds. These fees will generally include a management fee, shareholder servicing, other fund expenses, and sometimes a distribution fee.

Because of differences in distribution and often lower transaction costs, total operating expense ratios for ETFs have been historically less than those for corresponding mutual funds. These separate fees and expenses are disclosed in each fund's prospectus, which is available from the fund or, we can provide it to you upon your request.

Consequently, for any type of fund investment, it is important for you to understand that you are directly and indirectly paying two levels of advisory fees and expenses: you pay one layer of fees to the fund and one layer of advisory fees and expenses to us. Generally speaking, most funds may be purchased directly, without using our services or incurring our advisory fees.

### ***Subadvisory fees***

When we use a third-party manager as a subadvisor, the fee we charge will include our advisory fee and the advisory fee charged by the subadvisor. We do not retain any portion of

the subadvisory fee but pass it on to the subadvisor. Details of the subadvisor's fee, which is in addition to our fee, will be disclosed to you in the subadvisor's disclosure brochure and related investment advisory agreement. You should read both carefully and retain for your records.

### ***Termination of Services***

If you terminate your agreement with us, you must notify us in writing or transfer your assets from the custodian. Similarly, if you work with a separate investment advisor and you terminate that relationship, it will terminate our services as well. If we charge you in arrears, we will bill your account for the portion of time that we managed your account and no refund of fee will be necessary.

### ***Outside Compensation for the Sale of Securities to Clients***

Our advisors may accept compensation for the sale of securities or other investment products, including asset-based sales charges, service fees from the sale of mutual funds, and commissions and other payments associated with insurance-based products. This outside compensation is independent of the products and services offered through our firm. You can purchase these products from third-party providers (e.g., a broker dealer, a life insurance company, or an insurance marketing organization) and we encourage you to ask about the compensation paid in connection with the sale of these products.

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

We do not charge performance-based fees or other fees based on a share of capital gains or capital appreciation of your assets.

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

We generally provide investment advice and/or management supervisory services to the following types of clients:

- Individuals
- High-Net-Worth Individuals
- Defined Contribution & Defined Benefit Retirement Plans
- Corporate and Institutional Investors

### ***Minimum Account Size***

There is no account minimum.

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

#### ***Methods of Analysis and Investment Strategies:***



Through the relationship with our subadvisor we provide a variety of investment strategies designed for a wide range of investors with diverse wealth management objectives. The typical structure of the portfolio offerings is a “fund of funds” approach where they research and manage ETFs and mutual fund holdings, but our strategies may also include individual securities. On an ongoing basis, the subadvisor undertakes an extensive research process that re-evaluates the asset class selection, asset allocation, holding selection, and portfolio rebalancing needs for each investment strategy.

*Asset Class Selection* – Properly defining and selecting the individual asset classes that are consistent with the objectives of each strategy.

*Asset Allocation* – Implementing and adapting the asset class weightings as a result of each strategy’s investment research and forecasting processes.

*Holding Selection* – Selecting, monitoring, and replacing the specific holdings based on a disciplined process directed by the objective of each strategy.

*Portfolio Rebalancing* – Crafting and deploying an appropriate rebalancing approach based on the intent of each strategy.

***Risks Involved with Our Investment Strategies or Financial Planning Services:***

*Active Management Risk* - This process concentrates on factors that are believed to lead to the quality and future success of particular money managers. The risk assumed is that the manager will fail to perform as expected.

*Asset Allocation Risk* - The success of asset allocation depends upon the manager’s ability to make decisions that will achieve an account’s objectives. Asset categories may not perform as expected due to economic and market influences both foreign and domestic and anticipated returns may not be realized.

*Commodities-Related Risks* – Commodities may provide protection against inflation and/or the inability of fiat currencies to maintain their store of real value as well as increased diversification through reduced correlations relative to other asset classes. However, it is also important to understand that commodity-related investments are often highly volatile and can be significantly affected by commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions.

*Credit Risk* - The value of a portfolio may change in response to changes in the credit ratings of the portfolio’s securities. Generally, investment risk and price volatility increase as a security’s credit rating declines.

*Default Risk* - High Yield bonds are considered speculative and are susceptible to default or decline in value due to adverse economic and business developments.

*Dilution Risks* - Issuers of private placements may be required to raise additional capital. Future issuance of additional securities could dilute the ownership stakes of issuer's then-existing owners, and there can be no assurance that the effects of such dilution will not be substantial. Additionally, any new class units that might be issued in the future may negatively impact the issuer's then-existing owners.

*Emerging Markets Risk* - Investments in emerging markets may be subject to a greater risk of loss than investments in more developed markets. Emerging markets may be more likely to experience inflation risk, political turmoil and rapid changes in economic conditions than more developed markets. Emerging markets often have less consistency in accounting and reporting requirements, unreliable securities valuation and greater risk associated with custody of securities.

*Equity Market Risk* - Stocks have risk in that their returns and the principal invested in them is not guaranteed and they are subject to changing market conditions. Small stocks are more volatile than large stocks and are subject to significant price fluctuations.

*Foreign Risk* - Foreign investments are subject to the same risks as domestic investments and additional risks, including international trade, currency, political, regulatory and diplomatic risks, which may affect their value. Also, foreign securities are subject to the risk that their market price may not reflect the issuer's condition because there is not sufficient publicly available information about the issuer.

*Income Risk* - An ETF or mutual fund's income may decline when interest rates fall. This decline can occur because: (1) the ETF or mutual fund must invest in lower-yielding bonds as bonds in its portfolio mature, (2) bonds in the underlying index are substituted, or (3) the ETF or mutual fund otherwise needs to purchase additional bonds.

*Inflation Risk* - The value of assets or income from investments may be worth less in the future as inflation decreases the value of money.

*Interest Rate Risk* - Portfolios may change in response to the movement of interest rates. The price of a fixed income security will generally fall when interest rates rise.

*Liquidity Risk* - Markets can also experience a decline in liquidity which can negatively impact ETF, mutual fund or market linked certificate of deposit prices and increase the difficulty to sell a position. The ability to purchase or sell large positions of these securities, due to possible low trade volume, may take time.

*Market Index Risk* – Many of the investments we utilize are largely influenced by the value of the indices they track or the asset class they represent. As the index value or asset class changes in response to news and general economic conditions of domestic, international and commodity/natural resource markets in general, so will the value of the ETF or mutual fund. This can result in a loss of your initial investment.

*Municipal Bond Risks* – Income from municipal bonds may be subject to the Alternative Minimum Tax (AMT), and capital appreciation from discounted bonds may be subject to state or local taxes. Capital gains are not exempt from federal income tax.

*Political Risk* - Government decisions may damage the value of your investments. Changes to social security, benefits law, and tax law may impact your financial decisions. Any foreign investments may be impacted by the decisions of their local governments.

*Portfolio Rebalancing Risk* - Depending on the rebalancing strategy implemented, long-term or short-term trading may be involved. Trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Short-term trading generally holds greater risk and you should be aware that there is a material risk of loss using short-term strategies.

*Privately Held (Non-publicly Traded) Investment Risks* – Privately held companies typically hold more risk to the investor than publicly traded companies since they do not fall under the same regulatory requirements. As they are not publicly traded, an active market may not readily exist, which means they lack liquidity. They also typically have substantial fees relative to other types of investments. Additionally, investments in privately held companies or products have differing tax ramifications which can be complex in nature.

*Real Estate Risks* - Investments in real estate are subject to varying degrees of risk, including, among other things, local conditions such as an oversupply of space or reduced demand for properties, an inability to collect rent, vacancies, inflation and other increases in operating costs, adverse changes in laws and regulations applicable to owners of real estate and changing market demographics.

*Sector Risk* - When a substantial portion of assets are devoted to a particular market sector or industry, there is potentially greater volatility compared to broadly diversified strategies. A market sector or industry may underperform the market as a whole for a variety of reasons.

*Tax Risks* - Some of the products offered are subject to tax law that is complex and subject to varying interpretations. Moreover, the effect of existing income tax laws and possible changes in such laws will vary with the particular circumstances of each investor. You should consult

with and rely on your own tax professional with respect to the possible tax consequences, including risks and advantages, of an investment.

*Timing Risk* - While it is likely that stocks will gain over the next two decades, this may not be the case over the short-term. If you need to protect your principal investment over the short-term, timing is an important risk to consider.

***Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.***

### ***Risks of Specific Securities Utilized in Our Strategies***

Investing in securities involves risk. Seeking to obtain higher rates of return on investments typically entails accepting higher levels of risk. We or your investment advisor will work with you to identify the balance of risks and rewards that is appropriate and comfortable for you. However, it is still your responsibility to ask questions if you do not fully understand the risks associated with any investment or investment strategy. Also, while we strive to render our best judgment on your behalf, many economic and market variables beyond our control can affect the performance of your investments and we cannot assure that your investments will be profitable or that no losses will occur in your investment portfolio.

***Past performance is one consideration with respect to any investment or investment advisor, but it is not a predictor of future performance.***

We or your advisor will discuss with you the investment risks of the recommended securities to determine the investment objectives that will guide your portfolio selection. We will explain and answer any questions you have about these kinds of investments, which present special considerations.

*Exchange Traded Fund (ETF)* - ETFs are registered investment companies that derive their value from a basket of securities such as stocks, bonds, commodities or indices, and are traded on market exchanges. ETFs are usually traded on a secondary market at a market price that may be higher or lower than its net asset value and may not have liquidity under severe market conditions. There may be brokerage commissions associated with buying and selling of ETF shares. ETFs are generally passively managed which are designed to seek the investment results that correspond to the price and yield of an index. Sometimes referred to as "tracking error," expenses and other factors may affect the performance of an ETF so that the ETF's performance does not exactly match the performance of their respective underlying indexes. However, certain ETFs are actively managed and do not just seek to passively track an index; instead, they seek to achieve a specified investment objective using an active investment strategy. The value of an ETF will fluctuate with the value of its underlying securities. Equity-based ETFs have a

similar risk profile to those of equities, while fixed income-based ETFs have a risk profile that is similar to bonds.

*Exchange-Traded Note (ETN)* - ETNs are issued as senior, unsecured, unsubordinated debt obligations of an underlying bank or other financial institution. They are linked to the performance of an index, underlying security, or commodity. Similar to ETFs, ETNs trade on a market exchange. However, unlike ETFs, ETNs carry credit risk related to the issuer's ability to pay back the note. This means that the market value of ETNs can be adversely affected by downgrades in the creditworthiness of the underlying issuing financial institution. In the extreme case that the issuer of the ETN goes bankrupt, you may lose your entire investment. In contrast, if an ETF were to suffer bankruptcy or close, you would usually receive cash for the market value of the basket of securities or, in the case of larger positions, you may request to take distribution of the underlying securities. While the performance of ETNs is linked to the performance of an underlying index, security, or commodity, you do not own any underlying assets.

*Open-End Mutual Fund* - An open-end fund is a registered investment company that does not have restrictions on the number of shares the fund can issue. Generally, open-end funds are actively managed, meaning that the portfolio manager buys and sells securities with the goal of outperforming the fund's stated benchmark. These funds may have significant tracking error or active risk, which is the risk of fund returns deviating from the benchmark returns. Open-end fund shares are bought and sold on demand at their net asset value (NAV), which is based on the value of the fund's underlying securities and is calculated at the end of the trading day. When a large number of shares are redeemed, the fund may sell some of its investments to pay the investor. This may lead to liquidity risk which is caused by a lack of ready cash to properly handle shareholder transactions.

*Closed-End Mutual Fund* - A closed-end fund is a registered investment company that typically makes one public offering of a fixed number of shares. Thereafter, shares are traded on a secondary market. As a result, the secondary market price may be higher or lower than the closed-end fund's net asset value (NAV). If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount. These securities frequently trade at a discount from net asset value, which can create a risk of loss for those purchasing shares in, or shortly after, an initial public offering. Further, the portfolio managers may use leverage which can magnify losses.

*Defined Outcome or Buffer Exchange Traded Fund (ETF)* - Defined Outcome or Buffer ETFs are designed to provide you with exposure to a specified index, up to a return cap, as well as a defined level of downside buffer. The Outcome Period is the number of months remaining until the ETF's buffer and cap level reset. Outcome Periods are generally 1-year and, after the

conclusion of an Outcome Period, another will begin. Purchases made after an outcome period has begun may result in very different outcomes relative to the ETF's stated investment objective. The ETFs are subject to an upside return Cap that represents the maximum percentage return you can achieve from an investment in the ETFs for the Outcome Period. If the Outcome Period has begun and the ETF has increased in value to a level near to the Cap, you may have little or no ability to achieve gains but remain vulnerable to downside risks. Additionally, the Cap may rise or fall from one Outcome Period to the next. The Cap, and the ETF's position relative to it, should be considered before investing. The ETFs only seek to provide those holding shares for the entire Outcome Period with the stated buffer level against index losses during the Outcome Period. You bear all losses exceeding the stated buffer level. Depending upon market conditions at the time of purchase, if you purchase shares after the Outcome Period has begun, you may lose your entire investment. These ETFs are comprised of FLEX Options which are guaranteed for settlement by the Options Clearing Corporation (OCC). In the unlikely event that the OCC becomes insolvent or is otherwise unable to meet its settlement obligations, the ETF could suffer significant losses. FLEX Options may be less liquid than standard options. In a less liquid market for the FLEX Options, the ETFs may have difficulty closing out certain FLEX Options positions at desired times and prices. The values of FLEX Options do not increase or decrease at the same rate as the reference asset and may vary due to factors other than the price of reference asset.

*Structured Product* - Structured products are unsecured debt securities of an issuer that are linked to the performance of an underlying asset, such as a basket of securities or market index. As unsecured debt securities, structured products are not backed by collateral and they are subject to the creditworthiness of the issuer to make interest payments and repay principal. Structured products are typically the combination of a note (or other corporate bond) and a derivative (such as an option). Structured products are complex and may use advanced trading techniques such as leverage, options, futures, swaps, and other derivatives which lead to additional risks. Investing in a structured product should not be compared to investing in the underlying asset, as the features and risks may differ significantly. The structured product may not provide a return, may lose all principal invested, and/or may provide a return significantly less than what you could have received by investing directly in the underlying asset or other security. Structured products may not be appropriate for those seeking current income, as they may not pay interest or the interest they pay may vary in amount or timing. You should carefully read the offering documents and make sure you fully understand the specific terms and conditions for that product. Structured products may not be listed on a national securities exchange and a guaranteed secondary market does not exist for structured products. Issuing banks and other parties may be willing to repurchase them prior to maturity. This value appears in an account, represents an estimate of the current repurchase value and may be at a substantial discount from your original investment. Therefore, you may not be able to sell the structured product prior to maturity. Structured products are long-term investments designed to be held to maturity, at which point the issuing bank is obligated to provide a value consistent

with the terms of the investment. Structured products have an uncertain tax treatment due to limited guidance. You should consult with a tax advisor prior to investing in a structured product. Market-Linked CDs (MLCDs) and Principal Protected Notes (PPNs) are two types of structured products. PPNs are not FDIC insured, whereas MLCDs are FDIC insured. FDIC coverage generally applies to the amount of invested principal only. If you hold more than the FDIC-insured limitations in deposits with the issuing bank, you will not receive the benefit of FDIC insurance for any balance in excess of FDIC limits. For more information please visit [www.fdic.gov](http://www.fdic.gov).

*Variable Annuity* - Variable annuities are tax-deferred investments structured to convert a sum of money into a series of payments over time. Variable annuity policies have limitations and are not viewed as short-term liquid investments. An insurance company's fulfillment of a commitment to pay a minimum death benefit, a schedule of payments, a fixed investment account, or another form of guarantee depends on the claims-paying ability of the issuing insurance company. The financial ratings quoted for an insurance company do not apply to the separate account and its subaccount. The insurance company offering a variable annuity will charge several fees, including annual contract charges that compensate the insurance company for the cost of maintaining and administering the contract, mortality and expense risk (M&E Risk) charges based on a percentage of a subaccount's assets to cover costs associated with mortality and expense risk, and administration fees that are based on a percentage of a subaccount's assets to cover the costs involved in offering and administering the subaccount. You will also be charged ongoing fees related to the management of the fund and possibly be subject to surrender charges if you make a withdrawal prior to a specified time. If the variable annuity subaccount is invested in a money-market fund, the money market fund is not FDIC-insured, may lose money, and is not guaranteed by a bank or other financial institution.

*529 Program* - A 529 program is a tax-advantaged savings plan designed to help pay for education. 529 programs are intended to be used only to save for Qualified Education Expenses. These programs are not intended to be used, nor should they be used, for the purpose of evading federal or state taxes or tax penalties. You should seek tax advice from an independent tax advisor based on your particular circumstances. Most 529 plans are invested in exchange-traded funds or open-end mutual funds; however, other investment types are possible such as stable value funds, certificates of deposit, and separate accounts. Before investing, you should consider whether you or your designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 qualified tuition program.

*1031 Exchange* - 1031 Exchanges are governed by the IRS tax code associated with the deferral of capital gains on the sale of an investment property when subsequently purchasing a "like kind" property that is the same in nature and character. Substantial fees and expenses could be incurred and there are strict timing limitations imposed on these transactions. For example, if

the transaction is not properly constructed and executed in a timely manner, all tax benefits associated with the transaction may be lost while potentially incurring additional tax liability. As 1031 exchanges are based on real estate investments for which there may be no readily available market, there is liquidity risk. Additionally, the following real estate investment risks are possible: no guarantee of cash distributions; operational risks associated with property management and ownership; risk of the property being overleveraged; tax risks; interest rate risks; economic risks; risks of terrorism; environmental risks; liability risks; zoning, city ordinance, and or legal compliance risks; title and escrow risks; credit risks; and risks of obsolescence.

*Real Estate Investment Trust (REIT)* - A Real Estate Investment Trust (REIT) is a company or investment trust that retains diverse portfolios of real estate assets. Typically, these portfolios are sector-specific and include real estate investments related to residential, commercial, healthcare, office, and industrial property options. The risks involved with investing in REITs include the potential for excessive fees, lack of liquidity, lack of share value transparency, distributions that may come from the principal investment, and conflicts of interest related to REITs not having employees and paying external managers high transaction fees/bonuses. It is important for you to review all offering materials and discuss these products in order to have a strong understanding of exactly what you are agreeing to in order to avoid these risks.

*Private Placement* - A Private Placement is an offering of unregistered securities to a limited pool of investors. Private placements are regulated by a series of U.S. Securities and Exchange Commission rules under Regulation D and can issue varying amounts of securities based on the type of investor they are selling them to (either accredited or non-accredited investors) without registering those securities with the SEC. When non-accredited investors are involved, issuers of private placements must disclose key information, such as financial statements, in addition to the offering documents provided. You should review these documents carefully to understand the risks, which could include but are not limited to a lack of liquidity, high transaction costs, and potential tax ramifications. Private placements are generally considered riskier investments and could expose you to the potential of full loss of principal.

### ***Item 9: Disciplinary Information***

In this section of our brochure, we must inform you of all material facts regarding any legal or disciplinary events that are material to your evaluation of our firm or the integrity of our management. We have no legal or disciplinary events to disclose.



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

### ***Dually Registered as an Investment Advisor Representative***

Some of the investment advisor representatives of Simplicity Wealth, LLC are also licensed as an investment advisor representative with Advisory Alpha, LLC. Simplicity Wealth and Advisory Alpha are affiliated firms under common ownership. This creates a conflict in that some investment advisor representatives will receive payment for advisory services at varying levels from multiple firms. While this conflict does exist, investment advisor representatives are required to serve their clients in a fiduciary capacity across all registered investment advisory firms with whom they are affiliated and in that regard act in their clients' best interest in this capacity. If your account is managed by Advisory Alpha, LLC as a subadvisor, you will be given the disclosure brochure of Advisory Alpha, LLC describing the services provided, fees charged and other information.

### ***Insurance Marketing Organizations & Licensed Insurance Agents***

Simplicity Wealth is an affiliate of Simplicity Financial Marketing Holdings Inc. and are under common control and ownership. Simplicity Financial Marketing Holdings Inc. owns various insurance marketing organizations which serve as insurance agencies that market/wholesale life insurance and fixed annuities to third-party insurance agents in exchange for a marketing and/or override fee from the issuer of such insurance/annuity products. The investment advisor representatives of Simplicity Wealth, in a separate capacity as an insurance agent, may utilize the marketing and wholesaling services of the organizations owned by Simplicity Group Holdings.

You may work with your investment advisor representative in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the investment advisor representative may sell, for commissions, life insurance, annuities, and other insurance products to you which may be marketed/wholesaled by the insurance marketing organizations owned by Simplicity Financial Marketing Holdings Inc. As such, your investment advisor representative (in his or her separate capacity as an insurance agent) may suggest that you implement recommendations which may include purchasing life insurance, annuities, or other insurance products which are marketed and wholesaled by the insurance marketing organizations owned by Simplicity Group Holdings. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment advisor representative will receive a commission in his or her separate capacity as an insurance agent. Likewise, the marketing-override received by the insurance marketing organizations owned by Simplicity Financial Marketing Holdings Inc., also create an incentive for Simplicity Wealth to encourage the recommendation of insurance and annuity products marketed and wholesaled by the insurance marketing organizations owned by Simplicity Financial Marketing Holdings Inc.

The payment of commissions to our advisors may result in a potential conflict of interest for our advisors as the receipt of commissions may provide an incentive to recommend certain products based on commissions to be received, rather than on a particular client's need. This outside compensation is independent of the products and services offered through our firm, and will be paid to our advisor through other financial services firms (e.g., a life insurance company, or an insurance marketing organization).

### ***Tax Preparation***

Some investment advisor representatives of our firm are also tax consultants or certified public accountants. From time to time, they will offer clients services and advice relative to those activities. You should be aware that these services can incur a fee separate and distinct from those related to the services provided through Simplicity Wealth, LLC. As such, a conflict of interest could arise should a client utilize these outside services alongside the investment advisory services offered through Simplicity Wealth, LLC. We seek to lessen this potential conflict of interest by disclosing any fees in advance.

### ***Selection of Other Advisors or Managers and How We are Compensated for Those Selections***

We generally select additional advisors or managers to serve as subadvisors for clients. Please see Item 4, "Advisory Business" and Item 5, "Fees and Compensation" for additional information on our use of third-party money managers.

### ***Related Broker Dealer***

Simplicity Financial Marketing Holdings Inc., which controls Simplicity Wealth, also owns Simplicity Financial Investment Services Inc. ("SFIS"), a registered broker-dealer. As a result of this relationship, our owner will likely benefit if securities that are recommended during financial planning and consulting engagements are purchased through SFIS. SFIS is a limited purpose broker-dealer and does not currently engage in any direct retail activity. SFIS's operations are currently limited to wholesale activity with respect to variable insurance products. With respect to our financial planning and consulting services, our policy prohibits us from recommending that you purchase a security through SFIS unless the purchase is in your best interests.

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

### ***Code of Ethics***

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Outside Business Activities, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations,

Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available to you free upon request.

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

We do not recommend that you buy or sell any security in which our company or one of our related persons has a material financial interest.

***Investing Personal Money in the Same Securities as Clients***

From time to time, our advisors may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for our advisors to buy or sell the same securities before or after recommending the same securities to you resulting in our advisors profiting from the recommendations they provide to you. These transactions create a conflict of interest. We will always document any transactions that could be construed as conflicts of interest, and our advisors will always transact your business before their own when similar securities are being bought or sold. We often group all similar trade orders together into block orders prior to execution. This may offer pricing advantages relative to trading each account individually. In these situations, trade orders for our advisors' personal accounts may be included and executed at the same share prices given to clients.

***Item 12: Brokerage Practices***

When you engage us for our portfolio management services, we generally require that you establish an account at TD Ameritrade Institutional or Charles Schwab to use their custody, brokerage, and clearing services. Our custodians are qualified to hold your assets and offer services to independent investment advisors, which include custody of securities, trade execution, and clearance and settlement of transactions. We ask that you give us a written direction in our agreement to use one of our custodial partners as the custodian for your account(s). Additionally, while we may recommend a custodian to you, you will make the final selection and open your account with them by entering into a separate account agreement directly with them. We do not open the account for you, although we may assist you with the paperwork in doing so. Even though your account is maintained with them, we will have discretion to use them or other brokers to execute trades for your account as described below.

***Factors Used to Select Custodians and/or Broker-Dealers***

We seek to use a custodian who will hold your assets and execute transactions on terms that, overall, are most beneficial when compared to other available service providers. We consider a wide range of factors, including, but not limited to:

- Combination of transaction execution and asset custody services (generally without a separate fee for custody).
- Capability to execute, clear, and settle trades (buy and sell securities for your account).

- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.).
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.).
- Availability of investment research and tools that assist us in making investment decisions. These include recent news, graphs, charts, historical earnings data, balance sheet data, estimates of future earnings, and other information.
- Quality of services, including additional reports that include gains and losses (both realized and unrealized).
- Competitiveness of the price of services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices. We believe the brokerage services from our custodial partners are competitive with comparable firms for comparable services.
- Reputation, financial strength, and stability.
- Prior service to us and our other clients.
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us”).

### ***Your Brokerage and Custody Costs***

For our direct clients who have accounts at one of our custodians, they do not charge you separately for custody services, but are paid by charging you commissions or other fees on trades that they execute or that settle in your account. We negotiated our commission rates with them on behalf of all our clients and not with respect to any specific client. While these commission rates may be higher than available from other discount and online brokers, we believe that the additional services and investment reports provided are of more value to us and our clients than with the lower priced alternatives that provide fewer services. Therefore, we have our custodians execute most individual securities trades for your account to minimize your trading costs. We also use these custodians for most ETF and mutual fund transactions because they provide a wide array of no-load or institutional class mutual fund shares with no transaction costs to our clients. While it is our objective to obtain the lowest transaction costs possible for our clients, due to some account or asset transfer processes it is possible for clients to be charged transaction costs that exceed the amount of the transaction itself. In an effort to prevent these egregious fees to our clients we maintain a policy that enforces a procedure by which transactions such as these are flagged for review in order to properly reverse or reduce these costs. Generally, we have determined that having our custodians execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above in the section titled, “Factors Used to Select Custodians.”

In certain situations, the use of margin access through your respective custodian may be approved by us. In these cases, additional fees and interest on margin account balances may apply. These fees and interest costs are separate and independent from any fees charged by or paid to Advisory Alpha. We receive no additional direct compensation as a result of any

client's use of margin access at their custodian. There are risks involved with utilizing margin access including a potential drop in the underlying security value which will force the client to deposit additional cash or securities to cover the maintenance margin call issued by the custodian. A custodian has the right to increase the minimum amount required in a margin account, sell your securities without notice or sue you if a margin call is not fulfilled. The use of margin is most suitable for sophisticated investors with a thorough understanding of the risks and requirements involved.

#### ***Clients Directing Which Broker/Custodian to Use***

Directing us to use a specific brokerage firm could, in some transactions, result in higher commissions and charges where we might otherwise go directly to a market maker in the security. However, by limiting the number of brokerage firms we regularly work with leads to efficiencies that help us keep our advisory fees lower.

#### ***Products and Services Available to Us***

We generally receive benefits of investment research and related services because our clients use our custodians for their brokerage transactions and custodial services. All of these services are research and client account-related and provided by our custodians on an unsolicited basis. The research services made available may be used to benefit all clients' accounts, as well as our personal and proprietary accounts, which are not tied to a specific account's brokerage activity or commission level achieved. We also do not receive referrals from brokers in exchange for recommending their services to our clients.

We have not and do not intend to enter into any contractual third-party soft-dollar arrangements; for example, where we commit to place a specific level of brokerage commissions with a specific firm and in return the broker pays for various research-related products or services for us that are generally available for cash purchase.

#### ***Aggregating (Block) Trading for Multiple Client Accounts***

We, or the selected subadvisor may aggregate orders for securities transactions for more than one client based on our trade aggregation and allocation policy. In doing so, this process strives to treat you fairly and will not favor one client or proprietary account over another client. When executed, the aggregated orders will be allocated in accordance with policies and procedures intended to achieve fair treatment. The purpose of aggregating orders is to obtain the same price for each client in any given security, obtain better execution for the aggregated order than might be achieved by processing each of the transactions separately, expedite the placement and processing of trade orders, as well as for our administrative convenience.

Trade orders will not be aggregated for a client having a directed brokerage relationship with a client who does not have a directed brokerage relationship with the same broker. A consequence of not aggregating a client's order with other orders for the same securities is that

the client may not obtain as good a price or as low a cost in a separate transaction as clients whose orders have been aggregated.

Each account that participates in an aggregated order will receive the average share price for all transactions in that security in business day. If permitted by the broker-dealer effecting the transaction, transaction costs will be shared on a pro rata basis. Some broker-dealers charge brokerage commissions to each participating client in accordance with the size of that client's part of the aggregated order, regardless of the total size of the aggregated order. If an aggregated order is not filled in its entirety, it will be allocated among participating accounts on a pro rata basis.

Additionally, to help ensure equal opportunity of best execution for all client accounts, our subadvisor has implemented a regular rotation on the order by which trades are placed at each broker-dealer on both a daily and weekly basis. Each day/week trades placed at each broker-dealer are rotated based on the previous day/week's trades.

### ***Trade Error Policy***

We have the responsibility to process orders correctly, promptly, and in your best interest. We have established an error correction policy to identify and correct any errors as promptly as possible without disadvantaging you or benefiting us in any way. We have defined a "trade error" as when we have purchased or sold a financial instrument for a client account and that action is determined to have been a mistake and the error results in a financial gain or loss for the client. Examples of errors may include:

- Purchases or sales of an incorrect or unintended security or number of securities for your account
- Purchases or sales of a security for the incorrect or unintended account
- Purchases or sales of a security that you did not authorize or that are inconsistent with applicable law or regulations (e.g. prohibited transaction under ERISA)
- Purchase or sale transpositions (where an intended purchase is entered as a sale, or vice versa)
- Trade misallocations

If the error is our responsibility, the transaction will be corrected and we will reimburse you for any loss resulting from an inaccurate or erroneous order. In most cases, we can correct all trade errors through an Error Account with the applicable custodian. When we act as a subadvisor for another registered investment advisor, the trade error policy of your investment advisor will apply if a trade error occurs. However, if it is our error, we will correct the trade error through our Error Account at your custodian. If there is a loss due to a trade error that we make, we will correct the mistake at our cost and the error will not be reflected as a loss to your account. If a trade error results in a gain, the gain will be retained by the custodian and given to charitable causes.

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

#### ***Frequency and Nature of Periodic Reviews and Who Makes Those Reviews***

We, or the selected subadvisor will review and may rebalance each account to ensure that the allocation does not drift substantially from the model allocation. Our representatives review your accounts at least annually. These individuals are the chief advisors and are instructed to review your investments based on your investment policies and risk tolerance levels. All our clients are assigned to these reviewers. All financial planning accounts are reviewed upon financial plan creation and plan delivery by the investment advisor representatives of the firm. For ongoing financial planning engagements, accounts will generally be reviewed annually.

#### ***Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Reviews may be triggered by material market, economic, or political events, or when requested by you due to changes in your financial situation (such as retirement, termination of employment, physical move, or inheritance).

#### ***Content and Frequency of Regular Reports Provided to Clients***

Clients receiving our discretionary investment management services will be delivered reports from the custodian on a monthly or quarterly basis. This is a written report that details your account including transactions, fees and commissions, assets held and asset value.

Clients that enter into financial planning engagements with us may be provided with a financial plan or written report based on the scope of the financial planning relationship and services. Generally, after the delivery of the financial planning services, there are no further reports provided to you. You may request additional plans or reports for an additional planning fee.

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

#### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)***

Simplicity Wealth, LLC ('Simplicity Wealth'), an affiliated registered investment advisor of Advisory Alpha, LLC ('Advisory Alpha'), has entered into an agreement with Advisory Alpha, a registered investment advisor, where Advisory Alpha has agreed to pay Simplicity Wealth a fee in exchange for introducing potential advisory clients to Advisory Alpha. Advisory Alpha has agreed to pay Simplicity Wealth a fee for these solicitation services. The fee is 50% of the investment management fee paid to Advisory Alpha. Advisory Alpha pays this fee to Simplicity Wealth out of its investment management fee. This means that clients do not pay any additional fees as a result of Simplicity Wealth's solicitation services.

#### ***Compensation to Non - Advisory Personnel for Client Referrals***

We do not have arrangements to compensate other non-advisory persons to make solicitations on our behalf.

### ***Item 15: Custody***

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

We are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. However, this is the only form of custody we will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

### ***Item 16: Investment Discretion***

When providing asset management services, we maintain trading authorization over your account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

You may also grant us discretionary authority to establish and/or terminate a relationship with a subadvisor for purposes of managing the account or a portion of the account. In this situation, you will grant the subadvisor selected by us with the discretionary authority (in the sole discretion of the subadvisor without first consulting with you) to make all decisions to buy, sell or hold securities, cash or other investments for such portion of the account managed by the subadvisor.



If your account is managed on a discretionary basis, discretionary authority is granted in writing from you at the beginning of our advisory relationship in the agreement you sign. Also, you will sign an agreement with your custodian which generally includes a limited power of attorney granting the necessary authority to direct and implement the investment and reinvestment of the assets in your account, but restricts our ability or the subadvisor's ability (if applicable) to direct the assets outside of your account.

We generally do not have discretionary authority to determine the broker, dealer or the commission rates paid for your transactions. You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

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

We do not vote proxies. Your custodian will forward proxy voting materials directly to you. We recommend that you direct all questions on these materials to the issuer of the security.

### ***Item 18: Financial Information***

We are required to provide you with certain financial information or disclosures about our financial condition if we have financial commitments that impair our ability to meet contractual and fiduciary commitments to our clients. We have not been the subject of a bankruptcy proceeding and do not have any financial commitments that would impair our ability to meet any contractual or fiduciary commitments to you.