

# Intelligent 401K LLC

## Disclosure Brochure

9290 E. Thompson Peak Pkwy, Lot 414  
Scottsdale, AZ 85255  
(602) 510-1177  
clientservices@intelligent401k.com  
www.intelligent401k.com

*This brochure provides information about the qualifications and business practices of Intelligent 401K LLC. If you have any questions about the contents of this brochure, please contact us at (602) 510-1177 or by email at: [clientservices@intelligent401k.com](mailto:clientservices@intelligent401k.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Intelligent 401K, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Intelligent 401K LLC's CRD number is 310345.*

*Registration as an investment adviser does not imply a certain level of skill or training.*

Version Date: 01/12/2021

## Material Changes

Intelligent 401K, LLC has not yet filed an annual updating amendment to this Form ADV Part 2A. Therefore, there are no material changes to report.

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## Item 4: Advisory Business

### Description of the Firm

Intelligent 401K, LLC (“we,” “us” or “Intel401K”) is an Arizona limited liability company formed in 2020, and the principal indirect owners are Steven Demarest and Michael Floyd. Our primary business is to provide individuals with automated web-based investment advisory services for their individual retirement accounts or their employer-sponsored retirement plans.

### Types of Advisory Services

#### *Robo-Advisory Services*

We provide a “robo-advisory” portfolio management service through an online interface (the “**Platform**”), focused on individual retirement accounts (“**IRAs**”) and our clients’ employer-sponsored 401(k) and other retirement plans (“**Employer Plans**,” together with IRAs, the “**Plans**”). This entails the use of our algorithm-based portfolio management system (the “**Algorithm**”), rather than in-person investment advice. These automated investment solutions are customized to each client and based on individual characteristics, such as the client’s age, estimated retirement age, risk tolerance, investment goals, and current assets, among others. Our investment advisory personnel oversee the Algorithm but do not monitor individual client accounts. Clients are encouraged to update their account/questionnaire with any change in their objectives, risk tolerance, or other pertinent information, as that information factors into the advice given by the Algorithm.

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

Our advice for clients’ in their Employer Plans is necessarily limited to the investments made available in the Employer Plans by the plan sponsor (the “**Plan Investments**”), and with respect to IRAs, we generally limit our investment advice to a limited list of exchange-traded funds (“**ETFs**”), but may use other securities to help diversify a portfolio (collectively with ETFs, the “**IRA Investments**,” together with the Plan Investments, the “**Investments**”).

#### *Scope of Services & Use of Platform*

On the Platform, clients elect to engage us for either discretionary or non-discretionary services. Clients may grant us discretion to select a portfolio of investments (primarily from a limited list of ETFs) for their IRA, or for Employer Plans, grant us the discretion to allocate the client’s assets among the Plan Investments available in the Employer Plan. In these cases, clients permit the Platform to access their Plan account and invest it in IRA Investments (in the case of IRAs) or in the Plan Investments (in the case of an Employer Plan).

Clients instead may elect to engage us on a non-discretionary basis, where the Algorithm generates recommendations to allocate a client’s Plan assets among either Plan Investments or IRA Investments (depending on the type of retirement Plan the client engages us for). Clients then implement our recommendations if they wish.

Clients may engage us to provide them with discretionary or non-discretionary advice on just one Plan, or on multiple Plans, such as both their IRA and their Employer Plan. The number of Plans we are engaged on impacts our fees, as described below.

In order to generate investment recommendations, clients must provide us with their investment objectives, goals, risk tolerance, other personal and financial circumstances, time horizon and investment experience (collectively, the “**Client Information**”). Clients may update or change their Client Information at any time, and we urge them to do so whenever there is a change. Changes to Client Information may alter the Algorithm’s recommendations, and failure to accurately relate Client information in the Platform will result in less optimal investment recommendations by the Algorithm.

*The Client Information is the **sole** basis on which the Algorithm generates recommendations—we do not obtain other information about a client, nor do we provide any advice for client assets that are not part of the Plan for which the client has engaged us.*

#### *Algorithm Limitations*

Our Algorithm is a set of rules embedded in a computer program, which will propose a portfolio or Plan Investment allocation based on a client’s answers to the online questionnaire and their Client Information; identify portfolio rebalancing opportunities; and initiate buy/sell orders for the rebalancing opportunities it has identified. The Algorithm is designed to perform a daily review of client accounts and holdings to identify rebalancing opportunities as well as to initiate buy or sell orders when such opportunities exist; trade orders are then sent to the Plan’s custodian for execution.

Although the Algorithm’s activities generally take place on a daily basis, there may be rare instances when they do not do so. When clients give us investment discretion to manage their Plan account, we may initiate or halt trading at our discretion and for any reason, including halting trading under conditions when we believe that continued trading may pose an undue risk of harm to accounts.

Additionally, the Algorithm’s performance may be impacted by loss of connection to the client account as a result of changed credentials, or Multi Factor Authentication (MFA). Changes in credentials include username, email, password or MFA. If this happens, we will begin sending emails to you with instructions to login and re-establish the credentials or MFA. Until there is a reconnection, we cannot optimize or rebalance the client account.

Clients must understand that:

- our advice is based on objective statistical analysis and does not typically reflect subjective judgment, or daily market conditions, or any prolonged changes in market behavior that represent a significant departure from the past;
- our investment advisory personnel monitor our Algorithms but do not monitor your Plan Assets individually, but under certain circumstances, our

investment professionals may review your Plan Assets if the Algorithms generate an exception that prevents it from generating meaningful recommendations;

- we do not provide advice on individual securities or derivatives that clients have separately selected for their account—if a client's account has those types of holdings they have selected, we will ask the client if they wish to sell those positions so that those assets can be invested in the Investments, and thus included in the Algorithm's management and rebalancing functions;
- clients may not restrict the types of Investments for which we provide advice on;
- our recommendations are done through automation, meaning their ability to achieve their stated objectives is necessarily limited and subject to the Algorithms' design; and
- changes you or we make to your Investments (including withdrawals, re-allocations or deposits) will necessarily alter the outcomes of your Investments, which outcomes may not be desirable.

#### *Assets Under Management*

We are a newly-registered firm, and thus have no assets under management as of December 2020.

## **Item 5: Fees & Compensation**

### **General Fee Matters**

We offer three simple pricing plans: Basic, Signature and Premium.

- Basic -** Provides simple balancing based on age and risk tolerance for automated balancing recommendations on a non-discretionary basis. The fee for this plan is \$9 per month (or \$88 annually) for a single Plan account—it may not be used for multiple Plan accounts.
- Signature –** Includes our “**Basic**” plan services, plus cost savings from the lowest expense ratio funds (in the case of IRA accounts) and incorporating the Macro Market Analysis weighting for enhanced performance, under which clients grant us discretionary authority. The fee for this plan is \$12 per month (\$120 annually) and covers up to three Plan accounts, plus \$6 per month (\$72 annually) for each additional account.
- Premium –** Includes the “**Basic**” and “**Signature**” plan services, plus an annual one-hour consultation with an advisor. The plan also offers unlimited amount of retirement accounts for the monthly fee of \$24 (\$230 annually).

To engage us, clients enter into an investment advisory agreement electronically on the Platform, which clients may terminate with thirty days' written notice.

Our management fees are billed directly to the client in advance and are payable by credit card, PayPal, ACH, on either a monthly or annual basis. Refunds for fees paid in advance but not yet earned will be refunded on a prorated basis and returned within fourteen days to the client via check. The fee refunded will be equal to the balance of the fees collected in advance, minus the daily rate multiplied by the number of days elapsed in the billing period up to and including the day of termination. The daily rate is calculated by dividing the annual asset-based fee rate by 365.

### **Third Party Fees & Expenses**

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the service fees we charge. Please see Item 12 below regarding broker-dealer and custodian services.

### **Sales of Investment Products Outside of the Firm**

One of our principals, Michael Floyd, is an insurance agent and investment adviser representative of another investment adviser. In these roles, he accepts compensation for the sale of institutional investment advice or insurance products, but he does not offer such products to clients of Intel401k.

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

We do not accept performance-based fees.

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

We generally provide advisory services only to individuals, and we do not require a minimum account size.

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

### **Methods of Analysis & Investment Strategies**

Our methods of analysis include quantitative analysis, which deals with measurable factors, as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

We primarily utilize a long term trading strategy.

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

### **Material Risks**

#### *Algorithm*

There is a risk that the Algorithm and related software used for strategy selection, rebalancing, and related functions may not perform within intended parameters, which may result in a recommendation that may be more aggressive or conservative than necessary, and trigger or fail to initiate rebalancing.

The Algorithm is designed to conduct a daily review of client accounts for rebalancing opportunities. If the allocation in a

client's account deviates by more than an amount specified in our parameters from the recommended asset allocation due to changes in ETF values, the Algorithm will initiate a rebalancing trade order to the account custodian or (where applicable) the Plan administrator. The Algorithm may also trigger rebalancing in cases when a client makes changes to their Client Information or when a deposit or withdrawal is made.

Program monitoring and trading are subject to systems and technology constraints and availability, and while unlikely, may not take place daily. For example, the Algorithm's performance may be impacted by loss of connection to the client account as a result of changed credentials or MFA. Additionally, smaller accounts may deviate further than the amount specified by the Algorithm's rebalancing parameters, and they may also deviate from the target allocation of the selected investment profile. Rebalancing smaller accounts may impact the ability to maintain positions in selected asset classes due to the inability to buy or sell at least one share of an ETF. For example, withdrawal requests may require entire asset classes to be liquidated to generate and disburse the requested cash.

#### *Limited Universe of Investments & Scope of Advice*

Our Algorithm only makes recommendations on a limited universe of investments—in the case of IRA accounts, it primarily provides recommendations from a selected list of ETFs—and in the case of Employer Plans, it is necessarily limited to the Plan Investments selected by the plan sponsor or adviser.

Additionally, we only provide advice through the Platform on the Plan or IRA Investments—not on your investments outside of the Plan(s), and not on individual securities or derivatives you have selected for your account. These factors, combined with the limited scope of information a client provides us, means that our advice is not designed to be a complete advisory program for all of your assets and should not be expected to account for all factors that should be considered when managing the entirety of your assets.

#### *Quantitative Analysis*

Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

#### *Long Term Trading*

This strategy is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

#### *Selection of ETFs*

The written parameters we have established for the Algorithm place limitations on the universe of ETFs that the Algorithm may recommend. We have ETF selection

parameters designed to support our philosophy of low-cost and index-based investing. In support of providing broadly diversified and risk-adjusted portfolios, eligible ETFs must represent well a particular asset class, meet sufficient liquidity standards, and be among the lowest cost in their asset class or category.

When it comes to replacing an ETF, we also consider the potential impact to clients, such as additional trading costs or other costs. We will generally select both a primary and secondary ETF for each asset class. In limited circumstances, only one ETF may be used in certain asset classes. To be eligible for consideration, ETFs designated as the primary ETF in an asset class must have a share price less than a cap that is necessary to enable trading in smaller balance accounts.

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

#### **Risks of Specific Securities Utilized**

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

#### *ETFs*

An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Risks in investing in ETFs include trading risks, liquidity and shutdown risks, risks associated with a change in authorized participants and non-participation of authorized participants, risks that trading price differs from indicative net asset value (iNAV), or price fluctuation and disassociation from the index being tracked. With regard to trading risks, regular trading adds cost to your portfolio thus counteracting the low fees that one of the typical benefits of ETFs.

Additionally, regular trading to beneficially "time the market" is difficult to achieve. Even paid fund managers struggle to do this every year, with the majority failing to beat the relevant indexes. With regard to liquidity and shutdown risks, not all ETFs have the same level of liquidity. Since ETFs are at least as liquid as their underlying assets, trading conditions are more accurately reflected in implied liquidity rather than the average daily volume of the ETF itself. Implied liquidity is a measure of what can potentially be traded in ETFs based on its underlying assets. ETFs are subject to market volatility and the risks of their underlying securities, which may include the risks associated with investing in smaller companies, foreign securities, commodities, and fixed income investments (as applicable). Foreign securities in particular are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets.

ETFs that target a small universe of securities, such as a specific region or market sector, are generally subject to greater market volatility, as well as to the specific risks

associated with that sector, region, or other focus. ETFs that use derivatives, leverage, or complex investment strategies are subject to additional risks. The return of an index ETF is usually different from that of the index it tracks because of fees, expenses, and tracking error. An ETF may trade at a premium or discount to its net asset value (NAV) (or indicative value in the case of exchange-traded notes). The degree of liquidity can vary significantly from one ETF to another and losses may be magnified if no liquid market exists for the ETF's shares when attempting to sell them. Each ETF has a unique risk profile, detailed in its prospectus, offering circular, or similar material, which should be considered carefully when making investment decisions.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

Not applicable.

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

Michael Floyd is an investment adviser representative with another investment advisory firm, and an independent licensed insurance agent with an unaffiliated agency. Mr. Floyd does not offer advisory services or insurance products to any Intel401K clients. Because of these arrangements, Mr. Floyd may be financially incentivized to focus his time on those activities and not to Intel401K's services to its clients.

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

### **Code of Ethics**

Intel401K has 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, 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 free upon request to any client or prospective client.

### **Investing in the Same Securities as Clients**

From time to time, our personnel may buy or sell securities for themselves that they assign to the Algorithm, which generates recommendations for clients. This may provide an opportunity for our personnel to buy or sell the same securities before or after the Algorithm recommends the same securities to clients, resulting in profiting off the recommendations provided to clients. Such transactions may therefore create a conflict of interest. We will always

document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

## **Item 12: Brokerage Practices**

We do not recommend brokers or custodians. Employer Plan sponsors make those determinations, and IRA holders select their own custodian and/or broker for their IRA account before engaging us. We do not receive research, product, or services other than execution from broker-dealers or custodians in connection with client securities transactions, nor do we receive referrals from broker-dealers or third parties.

Because clients direct us to execute transactions through a specified broker-dealer, this direction may result in higher commissions, or less favorable prices or execution, particularly for illiquid securities or during volatile market conditions.

We do not aggregate or bunch the securities to be purchased or sold for multiple clients. This may result in less favorable prices, particularly for illiquid securities or during volatile market conditions.

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

We do not regularly review accounts, save for automated allocation revisions by the Algorithm. Clients are encouraged to update us, through the Platform, of any change in their Client Information.

Clients will receive at least monthly a written report that details the client's account including assets held and asset value, which report will come from the custodian and at least monthly a written report from Intel401K. You should compare any reports we provide to those you receive from the Plan custodian.

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

We plan to compensate non-advisory personnel for client referrals, which may include compensation paid to plan sponsors for presenting our services to Employer Plan participants, subject to applicable law. Any such payments would present a conflict of interest for the person compensated to recommend our services.

## **Item 15: Custody**

We do not take custody of client funds or investments at any time. Custody of client's accounts is held at the Employer Plan's or IRA's custodian. Clients will normally receive account statements from the Plan's custodian and should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

As described in Item 4 above, we provide discretionary and non-discretionary investment advisory services to clients.

### **Item 17: Voting Client Securities (Proxy Voting)**

We will not ask for, nor accept voting authority for client securities. Depending on the Plan structure, clients will receive proxies directly from the issuer of the security or the

custodian. Clients should direct all proxy questions to the issuer of the security.

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

Not applicable.