

# MWA Financial Services Inc.

## Investment Advisory Services Brochure Form ADV Part 2A

Current as of July 30, 2021

MWA Financial Services, Inc.  
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### ITEM 1 – COVER PAGE

This Investment Advisory Services Brochure provides information about the qualifications and business practices of MWA Financial Services, Inc. (MWAFS). If there are any questions about the contents of this Investment Advisory Services Brochure, please contact MWAFS at (309) 558-3100 or [MWAFS.Compliance@Modern-Woodmen.org](mailto:MWAFS.Compliance@Modern-Woodmen.org). The information in this Investment Advisory Services Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC), or by any state securities authority.

MWA Financial Services, Inc. is a registered investment adviser (RIA) with the SEC. Investment adviser representatives (IAR) provide investment advice to clients on behalf of MWAFS. SEC registration does not constitute an endorsement of MWAFS by the SEC, nor does it indicate that the IAR has attained any particular level of skill or training. The oral and written communications of an RIA and/or IAR provide the client with information to help determine whether to hire or retain an RIA and/or IAR.

Additional information about MWA Financial Services, Inc. (CRD # 112630) is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 – MATERIAL CHANGES**

The date of MWAFS last annual update to this Brochure was March 30, 2020.

### **Summary of Material Changes**

Following are the material changes made to this Brochure since the last annual update:

#### **Item 5 – Fees and Compensation**

An explanation was added to this section disclosing that there are fees imposed by third parties that are exclusive of, and in addition to the advisory fee charged to the client, and there are certain fees that are listed on the brokerage fee schedule for adviser managed accounts that are marked up by MWAFS, and MWAFS receives revenue from those mark ups.

#### **Item 5 – Fees and Compensation and Item 12 – Brokerage Practices**

An explanation was added to this section disclosing that Pershing receives remuneration for the services they provide on money fund or bank deposit sweep programs, and Pershing shares a portion of the fees it receives with MWAFS based on a percentage of the total sweep balance that MWAFS clients have in the product. This includes the Reich & Tang Liquid Insured Deposit (RFI) that MWAFS has chosen to be the default sweep for adviser managed accounts. The remuneration is paid out of the total expenses of the money fund or bank deposit.

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#### **ITEM 4 – ADVISORY BUSINESS**

MWA Financial Services, Inc., is a wholly owned subsidiary of Modern Woodmen of America, Inc. (MWA). Modern Woodmen of America is the principal owner of MWAFS. It was established in the state of Illinois as a broker/dealer in 2001 and became a registered investment adviser in February 2004.

MWAFS is a registered investment adviser with the Securities and Exchange Commission (SEC) and also a broker/dealer with the Financial Industry Regulatory Authority (FINRA). A supervised person is a partner, officer, director, or employee of the firm, or other person who provides investment advice on behalf of the firm and is subject to the supervision and control of the firm. Supervised persons with MWAFS are able to be associated with the firm not only as an investment adviser representative (IAR), but also as a registered representative (RR).

As a RR, the supervised person can receive a commission related to transactions of investment products. RRs are able to sell proprietary or non-proprietary annuity products, mutual funds, and general securities. However, not all representatives are licensed to offer or sell all the securities products available through MWAFS.

As an IAR, the supervised person can receive a fee based on the amount of assets in the client's account. MWAFS refers to these advisory accounts as managed accounts. These include adviser managed and third-party managed accounts. The IAR can also provide investment adviser services for a fee.

As an RIA, MWAFS offers the following products and services:

- Investment Adviser Services for a flat or hourly fee
- Adviser Managed Accounts
- Third-Party Managed Accounts

Information on adviser managed and third-party managed accounts is described in the separate MWAFS Managed Account Brochure. Clients can obtain a copy of the MWAFS brochures by contacting the IAR or MWAFS.

Information on investment adviser services and other approved products or services are described in more detail in the following sections.

### **Investment Adviser Services for a Fee**

The MWAFS Client Advisory Agreement and Client Information Form will be completed and signed by the client and IAR to establish the investment adviser services fee arrangement with MWAFS.

The client will be asked to furnish for review, certain records and documents in order to complete the investment adviser services. These documents include, but are not limited to, tax returns, current financial documents including W2s or 1099s, information on current retirement plans and insurance provided by client's employer, mortgage information, insurance policies, statements reflecting current investments in client's retirement and non-retirement accounts, copies of client's wills or trusts and other documents that are deemed pertinent.

Investment adviser services for a fee are recommendations only and do not include securities transactions by the IAR. Securities transactions would need to be executed in a separate account that may or may not be held with MWAFS. Therefore, the client can impose restrictions on investing in certain securities or types of securities in the separate account.

Services offered through an MWAFS Client Advisory Agreement are investment advisory only. The IAR's registration with MWAFS does not qualify the individual to provide any legal, accounting, estate, actuary, or tax advice, or to prepare any legal, accounting or tax documents under the MWAFS Client Advisory Agreement. Any information related to tax considerations affecting the client's financial arrangements or transactions is not intended to be tax advice and should not be relied on as such. The client should rely on his or her tax attorney or accountant for tax advice or tax preparation. Even if reports are received by the client from MWAFS or the IAR to assist the client in preparing tax returns, the reports do not represent the advice or approval of tax professionals.

Other professional services offered by MWAFS IARs as an *Outside Business Activity* are not covered under the MWAFS Client Advisory Agreement, or any other arrangement with MWAFS. This includes but is not limited to professional accounting or tax services and legal services. If such services are provided by the individual representative, these services are not provided by MWAFS or under the MWAFS Client Advisory Agreement, and are to be billed away and separate from investment advisory services offered through MWAFS.

Upon receipt of all applicable documents, the IAR will make recommendations based on client's current situation, expectations and investment objectives, as well as investment time horizon. The client's risk tolerance (or ability to live comfortably with risk in association with client's

investments) will be taken into account. A written plan will then be presented to the client along with an outline of recommendations regarding the client's current financial situation, as well as suggested steps to help the client reach his/her investment goals.

Investment adviser services can cover, but is not limited to, any or all of the following areas:

- Retirement planning
- Education planning
- Asset allocation
- Estate planning
- Special needs planning
- Asset management
- Insurance needs analysis
- Other areas of importance to the client

Investment adviser services chosen by the client can be “comprehensive” or “modular” in structure. Comprehensive advice would focus on all areas listed that are pertinent to the client. Modular advice would focus on only one or two areas of particular interest, such as retirement or education planning. The investment adviser services can include specific financial and investment strategies, as well as specific product recommendations, including equity, fixed income and insurance products.

Investment adviser services will also include, but is not limited to, the following areas depending on the client’s needs and situation:

- Data Collection
- Plan Development
- Review of all investment accounts
- Presentation and Recommendations

In all matters, the IAR’s planning services are analytical and advisory only and do not include legal or other professional services unless specifically stated. The IAR is able to work with client’s legal, accounting, insurance or other professional advisers to ensure the coordination of all pieces involved in the investment adviser services process as directed by the client. The IAR will rely upon information received from these professionals but is not required to verify the accuracy of any such information.

If securities accounts or other products are recommended and implemented as part of the investment adviser services, commissions or fees will be assessed from the sale of the products

recommended during the process. The commissions or fees are in addition, but separate, to the investment adviser services fee. Commissions or fees vary depending on the investment product recommended. Separate paperwork will need to be completed to establish a separate account. Separate accounts can be established with MWA Financial Services or another firm.

At no time is the client under any obligation to implement (with MWAFS or with any other firm) any or all of the suggestions as outlined by the IAR. Implementation of recommendations is solely at the client's discretion. While the IAR provides recommendations to assist the client in reaching their stated goals, the decision to act on any recommendation remains with the client. It is the responsibility of the client to notify the IAR of any changes to their financial situation or objectives that impact the focus of the investment adviser services provided by the IAR. Recommendations developed by the IAR are based on the information provided by the client. MWAFS and its IARs cannot guarantee the results of any recommendations. Choosing which recommendation to follow is the client's decision.

### **Assets under Management**

As of March 30, 2021 MWAFS managed \$65,469,160 of assets on a non-discretionary basis through its investment advisory business.

## **ITEM 5 – FEES AND COMPENSATION**

The specific manner in which investment advisory service fees are charged is established in the MWAFS Client Advisory Agreement.

The investment adviser service fee will be collected by the IAR as a check written payable to MWAFS. The IAR is paid a percentage of the fee that is received by MWAFS in accordance with the agreement between the IAR and MWAFS. The amount MWAFS pays to the IAR ranges from 55 to 85 percent of the investment adviser service fee collected.

The amount of the investment adviser service fee and the type of fee arrangement is determined between the client and the IAR and mutually agreed upon in the MWAFS Client Advisory Agreement. The fee is determined based on anticipated work to be done and the client's specific situation and circumstances. Advisory services that are anticipated to be more complex will generally warrant more time spent and/or a higher fee. Less complex services will generally warrant less time spent and/or a lower fee.

The IAR will obtain information from the client verbally and from current documents approved for use by MWAFFS. The information gathered during this session will assist the IAR in determining the most appropriate course of action for the client's financial and investment goals.

Investment adviser service fees cannot be deducted from any client's accounts. The only advisory fees that are permitted to be deducted directly from a client's account is a managed account fee as disclosed in the separate MWAFFS Managed Account Brochure.

MWAFFS will not accept advance payments for investment adviser services that are greater than \$1,200 and more than six months in advance. Typically, MWAFFS does not accept payment for investment adviser services until after recommendations have been presented to the client by the IAR, unless circumstances warrant otherwise.

All fees assessed by MWAFFS are subject to negotiation at the sole discretion of MWAFFS. It is possible that the services offered can be obtained elsewhere for a lower charge.

The investment adviser services fee charged would fall under one of these two types;

#### **Hourly Rate**

The IAR is able to charge an hourly fee for their investment adviser services. Fees are based on an hourly rate of \$25 to \$300/hour. Hourly fees will be calculated by multiplying the number of hours of service performed by the designated hourly rate. The hourly rate is decided on by the client and IAR and will be indicated on the MWAFFS Client Advisory Agreement. The hours billed for and the total fee will be indicated on the Investment Adviser Services Form that is sent in with the client's check for payment of services.

#### **Flat Fee**

The IAR is able to charge a flat fee for their investment adviser services. The flat fee range is from \$25 to \$5,000, depending upon the level and scope of the services required. The flat fee amount is decided on by the client and IAR and will be indicated on the MWAFFS Client Advisory Agreement and the Investment Adviser Services Form that is sent in with the client's check for payment of services.

#### **Ongoing Investment Adviser Services**

Ongoing investment adviser services can be completed for the client under one MWAFFS Client Advisory Agreement, as long as the Investment Adviser Services Form is submitted to MWAFFS



with the client's payment for the services provided and the information on the form aligns with the MWAFS Client Advisory Agreement that is on file with MWAFS.

This chart identifies MWAFS service and fee schedule as stated in the MWAFS Client Advisory Agreement:

Service Type	Service Description	Types of Fees	Amounts	Billing Method
<input type="checkbox"/> 1	Adviser Managed Account <sup>1</sup>	Percentage of Assets Under Management	0.25-1.50%	Fee charged to account quarterly
<input type="checkbox"/> 2	Third-Party Managed Account <sup>2</sup>	Percentage of Assets Under Management	0.25-1.50%	Fee charged to account quarterly
<input type="checkbox"/> 3	Investment Adviser Services <sup>3</sup>	Hourly	\$25-\$300	Check payable to MWAFS collected by IAR
		Flat	\$25-\$5000	Check payable to MWAFS collected by IAR

<sup>1</sup> Adviser managed accounts are non-discretionary brokerage accounts, meaning the IAR must receive authorization from the client prior to initiating any transaction and the IAR must act on those instructions in a timely manner.

<sup>2</sup> Third-party managed accounts give discretion to the third-party portfolio manager, meaning that the third-party manager has the ability to make asset allocation changes and rebalance the account to stay consistent with the investment strategy without getting authorization from the client.

<sup>3</sup> Comprehensive or modular services will be completed by the IAR to help reach the client's financial goal(s). Investment Adviser Services includes research and a written recommendation presented to the client from the IAR.

*All fees assessed by MWAFS are subject to negotiation at the sole discretion of MWAFS.*

*In some cases, percentages are shown as Basis Points (BPS).  
One basis point is equal to 1/100<sup>th</sup> of 1%, or .01%, or .0001.  
1% = 100 basis points and .5% = 50 basis points.*

## **Commission Based Fees**

All fees paid to MWAFS for investment adviser services are separate and distinct from the fees and expenses charged by the specific investments recommended by the IAR. These fees and expenses include initial or deferred sales charges, management fees, custodial fees, operational expenses or other fund expenses and are described in the investment's prospectus or shareholder reports. The amount of commissions charged for equity, bond, Unit Investment Trust (UIT), and Real Estate Investment Trust (REIT) transactions vary depending on the investment purchased or sold, the share amount of the transaction, the dollar amount of the transaction, etc. The client will also incur fees associated with brokerage accounts, such as inactivity fees, transfer fees, closing fees, maintenance fees, etc. The client should contact the IAR for a complete fee schedule or prospectus. For more information on brokerage services offered through MWAFS, please refer to "Item 12: Brokerage Practices" within this brochure.

A client is able to invest in some investment products directly without the services of MWAFS. In that case, the client would not receive the services provided by MWAFS, which are designed, among other things, to assist the client in determining a portfolio of investments to make up an asset allocation appropriate to the client's financial situation and objectives. The client should review the fees charged by the investment product, the fees charged by MWAFS and the fees charged by any other investment firm chosen to fully understand the total amount of fees to be paid by the client. Only then will the client be able to fully evaluate the services being provided and the fees being paid.

## **Other Compensation**

MWAFS is registered as a broker/dealer with FINRA and the SEC. It is also a registered investment advisory firm, providing investment advice to certain clients as appropriate. Supervised persons with MWAFS are able to be associated with the firm not only as IARs, but also as RRs. IARs with MWAFS are able to sell proprietary or non-proprietary annuity products, general securities, commission based mutual funds, no-load funds, adviser managed and third-party managed accounts, depending on the licenses they hold. The IAR may not be licensed to offer or sell all the securities products available through MWAFS. The IAR will disclose this information before making any recommendations. Generally speaking, MWAFS revenue primarily comes from the selling of commission-based products, including asset-based distribution fees (12b-1 fees), in non-advisory accounts.

Pershing is unable to automatically refund 12b-1 fees to clients from money fund or bank deposit sweep programs, so to ensure clients are not charged 12b-1 fees on money fund or bank deposit

sweep programs, MWAFS has chosen a default sweep option for adviser managed accounts that does not charge a 12b-1 fee. Pershing receives remuneration for the services they provide on sweep products. These fees are paid out of the total expenses of the money fund or bank deposit. Pershing shares a portion of the fees it receives with MWAFS, typically based on the total sweep balance MWAFS has in the product. This includes the default sweep option that MWAFS has chosen. Although the choice to use the Reich & Tang Liquid Insured Deposit (RFI) as the default sweep option was to ensure clients are not charged 12b-1 fees, there is a conflict of interest in that Pershing does share the revenue it receives from the product, and the amount shared is based on a percentage of the total balance MWAFS has in the product. This gives MWAFS an incentive to increase the total balance in The Reich & Tang Liquid Insured Deposit (RFI). The advisory fee charged to the client's account does include the amount in the bank deposit product.

Clients will incur certain charges imposed by third parties. These fees include management fees, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, inactivity fees, closing fees, paper statement and confirmation charges and other fees and taxes on brokerage accounts and securities transactions. Such charges and fees are exclusive of, and in addition to, the advisory fee. Certain fees are marked up by MWAFS, therefore MWAFS receives a portion of certain fees listed on the brokerage fee schedule in the Adviser Managed New Account Record. The IAR does not receive any compensation on these fees. For more information on MWAFS brokerage practices, please see Item 12 in this brochure.

MWAFS and its IARs have a fiduciary obligation to act in the client's best interest, but do have an incentive to recommend certain investment products based on the compensation received rather than on a client's needs. There is a conflict of interest as MWAFS or the IAR is compensated at a higher rate on some products over others and thus may recommend the higher rate products if appropriate for the client. There are certain circumstances in which some products will be more suitable and appropriate in meeting the client's needs where MWAFS and the IAR will receive greater compensation than if another product was used, which creates a conflict of interest. The IAR will disclose to the client the differences in products, features and fees prior to finalizing any transaction.

A ticket charge is assessed to the IAR for transactions involving equities in adviser managed accounts. This charge to the IAR creates a conflict of interest because the IAR may recommend fewer transactions be executed in the client's account. MWAFS reviews adviser managed accounts for low trading activity on a regular basis.

In the event that MWAFS would become aware of a situation where a conflict of interest has occurred, or the client's best interest is not being met, the firm would take steps to investigate the matter, gathering facts and information from relevant parties, including the IAR, reviewing

the applicable rules, etc. After the investigation, action deemed appropriate by MWAFS will be taken.

### **Termination of the Agreement**

If the client cancels the agreement after MWAFS has completed the services requested, the client shall be charged for the services completed. Should the client terminate the agreement within five business days after signing the MWAFS Client Advisory Agreement, no charges or penalties will be assessed. Typically, MWAFS does not accept payment for investment adviser services until after the recommendations have been presented to the client by the IAR. Although, if circumstances warrant otherwise and the agreement is terminated, the client will receive a proportional refund of any pre-paid fees attributable to any period after the date of termination via check from MWAFS. The amount of the refund will be determined by MWAFS with regards to the circumstances of the situation, including, but not limited to the amount of work completed and when the agreement was established.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

MWAFS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). MWAFS also does not engage in side-by-side management (a situation where an investment adviser would manage accounts that are charged performance-based fees and also accounts that are charged other types of fees, such as flat or asset-based fees).

## **ITEM 7 – TYPES OF CLIENTS**

MWAFS provides investment advisory services to individuals, trusts, high net worth individuals, corporations and other small businesses.

MWAFS will not provide investment advisory services to a state or local government as defined under SEC Rule 206(4)-5, commonly referred to as the Pay-to-Play rule.

Minimum account size for managed account programs will vary and may be negotiable at the discretion of the third-party manager and are outlined in their Form ADV Part 2. Adviser managed accounts through Pershing have a \$50,000 required minimum account balance. MWA Financial Services reserves the right to waive the required minimum account balance. MWA Financial Services also reserves the right to request additional funds or securities be deposited whenever

the asset value of the account falls below the \$50,000 minimum balance. See the Managed Account Brochure for more information.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

MWAFS IARs primarily uses fundamental, technical and charting methods to analyze investments it recommends to clients. Fundamental analysis makes use of economic and financial information in making investment decisions. Technical analysis uses past price movements of securities to determine investment recommendations. These price movements can be plotted to search for particular patterns which can also be used in developing investment recommendations. This is known as charting.

MWAFS cannot guarantee the analysis methods used will yield a return. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that the client should be prepared to bear. The client should understand that investment decisions made for their account by MWAFS and its IARs are subject to various market, currency, economic, political and business risks. The investment recommendations made for the client will not always be profitable nor can MWAFS guarantee any level of performance.

A list of all risks associated with the strategies, products and methodology MWAFS offers are listed below:

### *Fundamental Analysis Risk*

Fundamental analysis, when used in isolation, has a number of risks:

- There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.
- The data used may be out of date.
- It is difficult to give appropriate weightings to the factors.
- It assumes that the analyst is competent.
- It ignores the influence of random events such as oil spills, product defects being exposed, acts of God and so on.

### *Technical Analysis risk*

- Technical analysis is derived from the study of market participant behavior and its efficacy is a matter of controversy.

- Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.
- Models and rules can incur sufficiently high transaction costs.

#### *Overall Risks*

Clients need to remember that past performance is no guarantee of future results. All investments in securities carry some level of risk. A client can lose some or all of the money invested, including the principal amount invested, as the securities can increase or decrease in value. Dividend or interest payments can also fluctuate, or stop completely, as market conditions change.

Clients should consider the investment objectives, risks, charges and expenses of an investment before investing. Regardless of the method used to make recommendations, investment products are subject to various market, interest rate, currency, economic, political and business risks and the purchase or sale of any investment products will not always result in a profitable performance. If the primary strategy involves frequent trading, this can affect the investment performance, particularly through increased brokerage and other transaction costs and taxes. Clients should consider how each investment fits into their overall investment program.

Before an investment is made, the investment product's prospectus or shareholder reports should be reviewed by the client to learn about the investment strategy and potential risks. Investments with higher rates of return take risks that can be beyond the client's comfort level and are inconsistent with financial goals.

While past performance does not necessarily predict future returns, it can tell the client how volatile (or stable) an investment has been over a period of time. Generally, the more volatile an investment, the higher the investment risk. When evaluating volatility of an investment, the client should also consider the time horizon of the investment to align with financial goals.

MWAFS does not guarantee the future performance of the investment products, strategies, or recommendations described in this Brochure.

### **ITEM 9 – DISCIPLINARY INFORMATION**

MWAFS is required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of MWAFS or the integrity of MWAFS management. MWAFS adheres to high ethical standards for all IARs and associates.

In January 2016, the Missouri Securities Division (the Division) alleged that a registered representative engaged in dishonest and unethical practices when he recommended the liquidation of an account to fund a Modern Woodmen of America fixed annuity, alleging the application for the annuity was completed without sufficiently determining the investor's actual net worth and knowingly entering inaccurate information in order to pass the suitability review. The Division alleged that MWAFS had failed to reasonably supervise the representative in this transaction. Without admitting or denying the findings, MWAFS consented to the order. As part of the order, MWAFS conducted additional training to all Missouri representatives, paid \$10,000 to the Investor Education and Protection Fund and \$5,000 for the cost of the investigation. The representative was censured by the Division.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

MWAFS is registered as a broker/dealer with FINRA as well as a registered investment adviser with the SEC. As a broker/dealer, MWAFS and/or its related persons are involved in other business activities including that of selling other financial products. These activities include the offering of approved products which will result in commissions being received.

In addition, MWAGIA, a general insurance agency, is a wholly owned subsidiary of MWAFS. RRs and IARs are able to offer insurance products to MWAFS clients in connection with their association with MWAGIA. MWAFS clients are able to purchase insurance products from MWAGIA; however they are not required to do so. These products are separate from the MWAFS advisory services offered.

IARs must be contracted with Modern Woodmen of America prior to being registered with MWAFS unless he/she is considered an independent IAR with MWAFS. Please see Independent Adviser section below for more information. There is a conflict of interest as the IAR has a production requirement with Modern Woodmen of America in order to retain their contract, which requires the sale of Modern Woodmen of America's proprietary products. Clients are able to purchase insurance or other products through Modern Woodmen of America or its subsidiaries; however there are approved non-proprietary products available.

### **Independent Investment Adviser Representatives**

On a limited basis, MWAFS allows certain other IARs to register without being contracted with MWA. These independent representatives that are contracted only with MWAFS as RRs and IARs are not contracted with Modern Woodmen of America and are not permitted to sell

insurance and annuity products offered through Modern Woodmen of America or its general insurance agency subsidiary, MWAGIA. However, they are able to offer insurance and annuity products through other approved companies. Independent IARs have production requirements with their insurance company, when applicable.

### **Third-Party Managers**

There are some situations where the client desires comprehensive management of their accounts, such as is offered by third-party managers. In situations where it is appropriate, MWAFS will recommend their use. However, clients are not required to use them. MWAFS receives compensation from those management firms as a percentage of assets under management in the client's account for assisting and advising the client. The fees assessed to the client by these firms can be greater than if the third-party managers were not used. The IAR will inform the client of the differences in available products, services and fees prior to finalizing the agreement. More information on third-party managed accounts can be found in the separate MWAFS Managed Account Brochure.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

MWAFS and its IARs adhere to the Modern Woodmen of America Code of Conduct policy. The Code of Conduct reflects commitment to the highest standards of behavior in every activity undertaken by MWAFS and its IARs. The policy includes topics on honesty and integrity, workplace conduct, harassment and discrimination, confidentiality and privacy, conflicts of interest and gifts or gratuities. In addition, certain prohibited acts are covered, such as commingling and unauthorized use of funds, misrepresentation, replacements, rebating, forgery and theft. Independent IARs are not required to adhere to the Modern Woodmen of America Code of Conduct Policy, although they do adhere to the MWAFS Code of Ethics discussed below. Clients or prospective clients are able to request a copy of the Modern Woodmen of America Code of Conduct by contacting MWA Financial Services.

MWAFS or its related persons do not have a material financial interest in any company whose securities or investment products they recommend a client buy or sell.

MWAFS IARs are able to invest for their own accounts or have some direct or indirect financial interest in the same securities or other investments that they recommend for client accounts.



IARs are also able to engage in transactions for their own accounts that are the same as or different than transactions recommended for client accounts. Due to the conflict of interest that this presents, MWAFS has adopted an Investment Adviser Code of Ethics, which includes the following topics:

- Standards of Business Conduct
- Insider Trading
- Client Privacy
- Personal Securities Transactions
- Gifts and Entertainment

The Code of Ethics is applicable to all covered persons that are supervised by, and are affiliated with, MWAFS for the purpose of effecting or servicing investment advisory activities. The MWAFS Investment Adviser Code of Ethics will be provided to any client or prospective client upon request to MWAFS or the IAR.

With respect to personal trading, transactions are permitted if completed and reported in compliance with MWAFS policy on personal securities transactions. Generally, personal securities transactions will not be executed when an order for the same or a related security is pending for the account of the client. MWAFS designated principals review statements of personal transactions in securities by MWAFS supervised persons on a daily, quarterly, and yearly basis, depending on transaction activity. In the event that a review uncovers an instance of trading ahead or any other discrepancy, MWAFS management, including the Chief Compliance Officer (CCO) will be notified and appropriate action taken to ensure the best interest of the client.

None of MWAFS IARs are able to effect for themselves, their immediate family, other members of their household and any account in which the IAR holds a beneficial interest (referred to as “covered persons”), any transactions in a security which is being actively recommended to any of their clients, unless in accordance with the MWAFS procedures described hereafter.

Prior notification and approval is required for a covered person to open an account or hold personal securities at financial institutions other than at MWAFS. Duplicate copies of statements must be delivered to MWAFS for accounts held at any other financial institution or report them directly to MWAFS on no less than a quarterly basis.

All covered persons are required to report all securities to MWAFS, with the following exceptions: 1) 401(k) and 403(b) accounts that hold open end mutual funds only; 2) accounts held directly at mutual fund companies; 3) accounts held directly at 529 Plans; 4) unit investment trusts (UIT); 5) certificates of deposit (CD) and 6) variable or fixed Annuity contracts.

Covered persons are prohibited from participating in Initial Public Offerings (IPOs) and must obtain approval prior to investing in crowdfunding offerings or private placements (including investments in limited partnerships, buyout, venture capital, and hedge funds or funds that include investments in publicly or privately traded securities).

MWAFS has adopted certain principles that govern personal investment activities by all covered persons, including: 1) The interest of client accounts will, at all times, be placed first; 2) All personal securities transactions will be conducted in such a manner as to avoid any and all actual or potential conflict of interest or any abuse of an individual's position of trust, integrity, and responsibility; and 3) The covered person must not take inappropriate advantage of his or her position.

It is the primary intent of MWAFS procedures to ensure that the best interests of MWAFS clients are always served over that of the firm's. Trading by or on behalf of MWAFS and/or its covered persons that results in the interests of the firm or its covered persons being served over that of its clients could be considered a breach of the firm's fiduciary duty and thus is aggressively discouraged.

It is MWAFS policy that the firm will not affect any principal or agency cross transactions in securities for client accounts. MWAFS will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an investment adviser, acting as a principal for their own account, buys from or sells any security to any advisory client from their own account. An agency cross transaction is defined as a transaction where an investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions arise when an investment adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **ITEM 12 – BROKERAGE PRACTICES**

Soft dollar benefits are research, products or services (other than executions of transactions), received by a broker/dealer in exchange for the firm directing trades to the other broker. MWAFS does not receive any soft dollar benefits from other brokers or third parties.

Pershing LLC, is the custodian for all MWAFS brokerage accounts. IARs will inform clients that Pershing is the recommended clearing broker-dealer for adviser managed accounts; however the client is not required to use them or establish a brokerage account with MWAFS. MWAFS has agreements with several third-party management firms with which the client is able to choose to open a third-party managed account. The third-party managers use a different custodian other than Pershing, when applicable.

MWAFS investment adviser services clients are not required to implement recommendations through any specific broker-dealer or custodian, including MWAFS.

MWAFS IARs can only establish an account or implement recommendations through MWAFS approved custodians and third parties.

MWAFS understands and acknowledges that at all times it owes a fiduciary duty to clients to obtain best execution for their transactions and to seek the most competitive costs for such. MWAFS strives to keep the client's total cost in each transaction as favorable as possible under the prevailing market conditions. Due to MWAFS directing all brokerage accounts to Pershing, the client will not always receive best execution. The client may be able to obtain best execution in an account outside of MWAFS and Pershing. In addition, effecting a transaction through MWAFS and Pershing will potentially cost the client more than if the transaction was executed in an account outside of MWAFS and Pershing due to higher commissions, transactions costs, or less favorable prices.

While the lowest possible transaction cost is one of the primary concerns when considering a custodian to process client transactions, other factors such as best execution, client servicing, availability of research and educational materials, etc., also go into MWAFS consideration of Pershing as custodian. Thus clients will experience individual transactions costs and commissions that will be higher or lower than costs charged by other custodians not used by MWAFS for the delivery or performance of the same or similar services.

MWAFS does not consider whether a firm provides client referrals as one of the criteria for recommending a particular firm.

Transactions for the client's account generally will be effected independently, unless MWAFS decides to purchase or sell the same securities for several clients at approximately the same time. MWAFS is able to (but is not obligated to) combine or “batch” such orders to obtain best execution and to negotiate more favorable transaction rates. To the extent that MWAFS elects to aggregate client orders for the purchase or sale of securities, including securities in which MWAFS principal(s) and/or associated person(s) invest, MWAFS is able to do so in accordance with the parameters set forth by the SEC. MWAFS will not receive any additional compensation as a result of the aggregation. There is an additional cost charged to MWAFS from Pershing per IAR that is entitled to aggregate orders. Due to this extra cost, typically MWAFS effects client transactions independently. Effecting transactions independently means the client will potentially purchase or sell the security at a different price than another MWAFS client will when effecting the same or similar transaction.

Pershing is unable to automatically refund 12b-1 fees to clients from money fund or bank deposit sweep programs, so to ensure clients are not charged 12b-1 fees on money fund or bank deposit sweep programs, MWAFS has chosen a default sweep option for adviser managed accounts that does not charge a 12b-1 fee. Pershing receives remuneration for the services they provide on sweep products. These fees are paid out of the total expenses of the money fund or bank deposit. Pershing shares a portion of the fees it receives with MWAFS, typically based on the total sweep balance MWAFS has in the product. This includes the default sweep option that MWAFS has chosen. Although the choice to use the Reich & Tang Liquid Insured Deposit (RFI) as the default sweep option was to ensure clients are not charged 12b-1 fees, there is a conflict of interest in that Pershing does share the revenue it receives from the product, and the amount shared is based on a percentage of the total balance MWAFS has in the product. This gives MWAFS an incentive to increase the total balance in The Reich & Tang Liquid Insured Deposit (RFI). The advisory fee charged to the client’s account does include the amount in the bank deposit product.

Pershing has an agreement to receive revenue from mutual fund companies to offer certain funds with no transaction costs within managed accounts. These funds make up the FundVest no transaction fee (NTF) program that is offered in MWAFS adviser managed accounts. New mutual fund purchases in adviser managed accounts are restricted to funds in the FundVest program. Mutual funds that are not in the FundVest program can be transferred into and held in an adviser managed account, but no new purchases of the fund can be made. Funds available in the FundVest program are subject to change. There is a conflict of interest in these accounts due to a revenue sharing agreement between MWAFS and Pershing. A percentage of the revenue that Pershing receives from the mutual funds in the FundVest program is shared with MWAFS based on the total amount of assets that MWAFS clients hold in the program. The revenue sharing agreement with Pershing gives MWAFS an incentive to offer mutual funds that are part of

Pershing's FundVest program. The client does have the option to invest in non-FundVest mutual funds within an MWAFS commission-based account, or with another broker dealer or registered investment adviser, just not in an MWAFS adviser managed account.

In addition, within the FundVest platform, there is a list of mutual funds known as FundVest 200. FundVest 200 is a research-driven list of no-transaction fee mutual funds that is designed to assist IARs by giving them access to research from Pershing affiliates that specialize in due diligence. The list is selected by Lockwood Advisors, Inc., and is updated quarterly with no additional cost to clients. Due diligence is provided by the BNY Mellon Manager Research Group (MRG) and includes quantitative screens, institutional-level due diligence, meetings and conference calls with managers. The Lockwood Investment Committee considers this information for additional review, analysis and final selection, and provides it to Pershing. Lockwood also partners with the MRG to conduct ongoing monitoring of each mutual fund. Metrics and reports are provided to the IAR through Pershing's NetX360 portal. The metrics and reports include the mutual fund company's background, a background of the mutual fund's strategy, investment objective, time horizon and asset allocation. The report also analyzes and ranks the mutual fund in categories such as; organization, investment personnel, investment philosophy, investment process, implementation, and performance. In addition to information about the specific fund being analyzed, the report includes a benchmark index fund to compare to the fund. These reports are for financial professional use only and are not intended to be distributed to the public. There is no additional cost to the client for this research provided to the IAR and it is not provided in connection with client transactions. The client is not obligated to invest in any mutual funds on the FundVest 200 list.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **Investment Adviser Services**

The MWAFS Client Advisory Agreement and Investment Adviser Services Client Information Form is reviewed and approved by an MWAFS principal before payment is processed. Research done by the IAR and the written recommendation presented to the client are required to be submitted for compliance review before payment is processed by MWAFS. In addition, investment adviser services documentation will be periodically reviewed during on-site field audits by a compliance principal.

### **Managed Accounts**

MWAFS will review client holdings periodically. The designated principal shall review the client's holdings for best execution (where applicable), suitability and service.

Transactions are reviewed by designated principals through daily reports. A regular review is also done of managed accounts to monitor the account value, number of trades executed, cash, money market, and insured deposit values, as well as the fees assessed. The review highlights those accounts that may be better off as non-advisory accounts. In the event that MWAFS would become aware of a situation where the client's best interest is potentially not being met, the firm would take steps to investigate the matter, gathering facts and information from relevant parties, including the IAR, reviewing the applicable rules, etc. After the investigation, action deemed appropriate by MWAFS will be taken.

Events that trigger further client account reviews in addition to the standard regular review process include, but would not be limited to, an account value less than the minimum required, a large amount of assets being held in a cash, money market, or insured deposit, or a very low amount of activity in the account for an extended time period. A notable increase in the volume of requests by a client to effect transactions in their accounts, where such transactions appear to be inconsistent with the client's previously stated investment objectives also trigger additional review. Other factors include requests by a client to liquidate certain securities positions/contracts where such transactions appear to be inconsistent with the client's previously stated investment objectives. Any client complaint will also prompt additional review.

The advisory fees charged to the client by a third-party manager being inconsistent with the advisory fee agreed upon by the client and IAR, or the investment management by a third-party manager being inconsistent with the client's investment objective and risk tolerance would also trigger further review of an account or third-party manager.

At least annually, the IAR will be in contact with clients to review accounts and update client information. It is to be explained that the client should provide the IAR with notice once the client's investment objectives or financial situation changes. However, the IAR is contacting the client annually to ensure MWAFS has the latest information for the client.

MWAFS reviews managed account performance information that is provided by Pershing or the third-party manager's custodian during regular account reviews. This is not to review the accuracy of the performance calculations.

Reviewers:

The following individuals are responsible for account reviews:

Amber M. Bowman, Chief Compliance Officer

Nathan W. Neighbour, Senior RIA Compliance Principal and Branch Examiner

The named individuals will employ the procedures noted above for each client account subject to MWAFS investment management services.

Client will receive a statement at least quarterly from the custodian of his/her account, detailing all transactions and fees deducted from the account for the calendar quarter. The statements and fees should be reviewed by the client to ensure accuracy.

#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

MWAFS generally prohibits its IARs from receiving or paying finder's fees or referral fees for any securities business, with the following exception;

The fee paid to MWAFS by third-party managers is compensation for servicing the client's account. Because MWAFS is acting as a solicitor or co-adviser for the third-party firm, a portion of the fee is considered a referral fee for recommending the client use the third-party manager. Please also see the section on Managed Account Programs under Item 4 of the Managed Account Brochure for more information.

An IAR can be reimbursed by an investment or insurance company for software that is used to conduct investment advisory services for a fee through MWAFS. This arrangement is a conflict of interest because the investment or insurance company's products can be included within the recommendation to the client. MWAFS has policies in place to monitor the conflict of interest. The policies include MWAFS approval for each reimbursement and requiring all reimbursements to be paid through MWAFS.

##### **Additional Compensation**

Other than the exception noted above, MWAFS and its IARs do not have any other arrangements, oral or in writing, where they are paid cash by or receive some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients.

MWAFS and its IARs have no agreements, oral or in writing, where they directly or indirectly compensate any person for client referrals.

## **ITEM 15 – CUSTODY**

MWAFS does not have physical possession of any accounts or assets; otherwise known as custody. Custody is maintained by the qualified custodian. MWAFS generally uses Pershing as the custodian for client accounts, unless a third-party adviser managed account is established. MWAFS does have the ability to withdraw client funds to pay quarterly advisory fees by instructing Pershing to do so. While MWAFS and its IARs do not accept authority to take possession of client assets, this level of account access is considered “custody” under Advisers Act rules.

Third-party managers use custodians other than Pershing when applicable. Clients should receive monthly or quarterly statements from the qualified custodian that holds and maintains the client’s investment assets. MWAFS urges clients to carefully review such statements.

## **ITEM 16 – INVESTMENT DISCRETION**

MWAFS and its IARs do not accept discretionary authority for any accounts.

The third-party manager and/or custodians have discretion over the client’s account, when applicable. The third-party manager’s Form ADV Part 2 details this in full.

## **ITEM 17 – VOTING CLIENT SECURITIES**

As a matter of firm policy and practice, MWAFS and its IARs do not have any authority to and do not vote proxies on behalf of advisory clients. Voting proxies will be delivered to the client by the custodian and it is the client’s responsibility to act on those proxies for any and all securities maintained in the client portfolio. The IAR is able to provide advice to clients regarding the clients’ voting of proxies, but not vote for the client. The custodian will forward copies of all proxies and shareholder communications relating to the account assets. In instances when a third-party manager is used, clients are able to delegate proxy voting to the third-party manager, when applicable. The proxy voting policy is set forth in the third-party manager’s ADV Part 2 or account agreement.

## **ITEM 18 – FINANCIAL INFORMATION**



Upon request, MWAFS will provide the client with information or disclosures about MWAFS financial condition. MWAFS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

In no event shall MWAFS charge advisory fees that are both in excess of \$1,200 and more than six months in advance of advisory services.