



**PARADIGM**  
FINANCIAL ADVISORS, LLC

**Part 2A of Form ADV  
Firm Brochure  
March 29, 2021**

**ITEM 1: INTRODUCTION**

**Paradigm Financial Advisors, LLC ("PFA")** is a **FEE ONLY** Registered Investment Advisor and we are regulated by the Securities & Exchange Commission ("SEC") under the Investment Advisors Act of 1940. This **Part 2A of Form ADV** (also referred to as our "**Firm Brochure**") is a disclosure document that the SEC requires us to file annually, and it provides information about our services and fees.

**PFA** provides institutional quality **Investment Management** and **Comprehensive Wealth Planning** services for our clients. Our mission is to grow and protect our client's wealth and help them provide financial security for their family for many generations to come. PFA has a very talented team of professionals that includes two Attorneys and a CPA, which allows us to provide a much broader range of value added services than many other firms provide.

**PFA** is a **FEE ONLY** Registered Investment Advisor and we serve our clients in a fiduciary capacity. We don't sell insurance or annuities and we don't accept commissions or any other compensation from any third party. There is a big difference between a "**FEE ONLY**" Registered Investment Advisor and a "**FEE BASED**" Advisor because fee based advisors are **dually licensed** to sell insurance and annuities so they also get paid commissions. Under current SEC Rules, dually licensed advisors are allowed to wear "two hats," so they can tell their clients that they are a fiduciary to gain their trust but then they can switch hats at any time and sell the client an annuity to get paid a huge commission. **PFA is NOT dually licensed, we serve our clients in a Fiduciary capacity and we act in their best interest 100% of the time.**

If you would like additional information about PFA or if you want to set up a free consultation, please call us at **314-966-3400** or visit our website at [\*\*www.pfaclient.com\*\*](http://www.pfaclient.com)

Take care,

**Jim Reding,  
Managing Member & CEO**

**Paradigm Financial Advisors, LLC**

**12818 Daylight Circle  
Des Peres, MO 63131  
314-966-3400  
[\*\*jreding@pfaclient.com\*\*](mailto:jreding@pfaclient.com)**

## ITEM 2: MATERIAL CHANGES

**Part 2A of our ADV is our Firm Brochure and disclosure document.**

This update includes the following material change(s) from the last annual update of our Firm Brochure dated March 12, 2020:

- We moved our office and principal place of business to:  
  
**Paradigm Financial Advisors  
12818 Daylight Circle  
Des Peres, MO 63131**
- We have updated the information related to our Investment Advisor Representatives
- We have changed our Fee Schedules

If you have any questions or would like additional information about Paradigm Financial Advisors, please contact **Jim Reding at 314-966-3400 or by email at [jreding@pfaclient.com](mailto:jreding@pfaclient.com).**

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## ITEM 4: INFORMATION ABOUT OUR FIRM AND OUR SERVICES

**4.1 INFORMATION ABOUT OUR FIRM:** Paradigm Financial Advisors (“PFA”), LLC has been a **FEE ONLY** Registered Investment Advisor since 2007 and we are regulated by the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940. Jim Reding is the owner and Managing Member of PFA. We serve our clients in a fiduciary capacity and we act in their best interest 100% of the time. Most of the other investment advisors that say that they are a fiduciary are “dually licensed” to sell insurance and annuities, which creates a conflict of interest. PFA does not sell insurance or annuities and we don’t accept commissions for recommending any type of investment to our clients.

PFA provides institutional quality **Investment Management** and **Comprehensive Wealth Planning** for our clients. Our mission is to grow and protect our client’s wealth and help them provide financial security for their families for many generations to come. PFA’s Comprehensive Wealth Planning services are designed to help our clients grow their wealth, reduce taxes, protect their assets, and provide financial security for their families for many generations to come. We have two Attorneys and a CPA on our team, which allows us to provide a much broader range of value added services for our clients than most of the other firms in our industry can provide.

**4.2 OUR SERVICES:** PFA provides the following services for our clients:

- **Investment Management**
- **Comprehensive Wealth Planning**
- **Fiduciary Advisory Services for Company Sponsored Retirement Plans**

**4.3 INVESTMENT MANAGEMENT SERVICES:** PFA provides institutional quality investment management services that are designed to grow and protect our client’s wealth. Our team customizes each of our client’s portfolios based on their goals and risk tolerance. We have developed a proprietary portfolio management process over the past 25 years that combines Modern Portfolio Theory and tactical asset allocation to maximize risk adjusted returns for our clients. We use low cost Exchange Traded Funds (“ETFs”) and individual stocks and a variety of fixed income securities in our client’s portfolios. Our team conducts rigorous financial analysis to identify companies that are undervalued and have higher earnings growth potential than the overall market. We often overweight or underweight various asset classes and sectors of the market based on economic conditions, geopolitical risks, valuations, and earnings growth projections. For example, during the Coronavirus Pandemic, we reduced our allocation to passive ETFs because they held a large percentage of companies that were hurt by the shutdowns and we increased our allocation to stocks that were benefiting from people working and shopping at home. We also made tactical allocation changes after the vaccines were approved, which included increasing our allocation to value stocks and small cap stocks because they have outperformed large cap growth stocks during the early phases of economic recoveries in the past.

*(Note: the examples of tactical asset allocation discussed herein are for illustrative purposes only. Prospective clients should consult with an investment advisor before making changes in their portfolio).*

- 4.4 COMPREHENSIVE WEALTH PLANNING SERVICES:** PFA's Comprehensive Wealth Planning services are designed to help our clients grow their wealth, reduce taxes, protect their assets, and provide financial security for their families for many generations to come. We have two attorneys on our team and a CPA, which allows us to provide a broader range of services than many other firms in our industry can provide. We customize our Comprehensive Wealth Planning services for each of our clients based on their goals, which often include the following:

Comprehensive Wealth Planning Services	
Financial statements & cash flow planning	Hedging Concentrated Stock positions
Retirement planning	Stock Option planning
Tax reduction strategies	Roth Conversion analysis
Multigenerational Dynasty Trust planning	Family meetings & financial education
Asset Protection planning	Business succession planning
Social Security optimization	Key Employee retention planning
Tax bracket maximization strategies	Reducing taxes on Business sales
Insurance analysis & private placements	Private Equity Investments
Negotiating Luxury home & car purchases	Charitable trusts & private foundations
Independent Trustee services	Estate administration services
Special Needs Trusts for disabled children	Planning for the care of elderly parents

- 4.5 PROACTIVE TAX PLANNING:** our Comprehensive Wealth Planning services also includes proactive Tax Planning at no additional cost to our clients that meet our minimum fee described in ITEM 5. We have a CPA on our team that has extensive experience in tax returns and tax planning, which allows us to provide additional value for our clients by helping them reduce taxes. We create customized tax planning strategies based on each client's individual circumstances and goals. Our team helps our clients implement **tax bracket maximization strategies**, which may include doing **partial Roth IRA conversions** each year if the client is currently in a lower tax bracket than they will be in when they start taking distributions from their IRA Accounts at age 72. We also help clients that are in higher income tax brackets make non-deductible IRA contributions to do a **Back Door Roth Conversion**. Our CPA often runs **tax projections** for our clients to help them calculate their tax liability and to determine if they need to adjust their tax withholding or estimated tax payments. We also help reduce capital gain taxes for our clients by taking advantage of **tax loss harvesting opportunities** during volatile periods in the stock market and we assist clients with making **Qualified Charitable Distributions** from their IRA Accounts to reduce taxes.

*(Note: the tax planning examples provided herein are for illustrative purposes only and prospective clients are advised to consult with their tax advisors prior to implementing any of the strategies discussed herein).*

**4.6 MULTIGENERATIONAL ESTATE PLANNING:** We also provide Multigenerational Estate Planning services that are designed to help our clients maximize the amount of wealth that they transfer to their family and to protect the assets from lawsuits and divorce for many generations to come. Our Attorneys often draft Living Trusts and other estate planning documents at no additional cost for our clients, if they meet our minimum fee described in ITEM 5. Our Attorneys have over 25 years of experience helping our high net worth clients reduce estate taxes by implementing a number of **multigenerational wealth transfer strategies**, such as: **Dynasty Trusts, Family Limited Partnerships, Irrevocable Life Insurance Trusts, Grantor Retained Annuity Trusts, Charitable Remainder Trusts**, etc. The Attorneys on our team are members of **Wealth Counsel**, which is a network of Estate Planning Attorneys that includes many nationally known estate tax planning experts.

**4.7 FIDUCIARY ADVISOR SERVICES FOR 401(K) PLANS:** PFA provides fiduciary services for 401(k) plans and other company sponsored retirement plans that are designed to help Plan Sponsors reduce fiduciary liability. PFA is qualified to serve in the capacity of a **Full Fiduciary as an ERISA 3(38) Investment Manager** and we can also serve as a **Co-Fiduciary as an ERISA 3(21) Investment Advisor**. PFA provides the following Fiduciary Services for Retirement Plan Sponsors:

- **Plan Design and Selection of Service Providers:** we help Plan Sponsors complete due diligence and select service providers for the plan, which includes the Custodian, Third Party Administrator (“TPA”), Recordkeeper, Investment Manager, Investment Advisor, and other service providers.
- **Investment Policy Statement:** we develop an **Investment Policy Statement** for the Plan Sponsor that documents the process for selecting plan investments, monitoring fund performance and fees.
- **Investment Management:** we create a broadly diversified menu of low-cost Exchange Traded Funds or Mutual Funds for the plan and we use the Fi360 process to monitor their performance and fees.
- **Qualified Default Investment Alternatives (“QDIAs”):** we select the QDIAs for the investment menu, to provide a default election for participants that don’t select any investment.
- **Professionally Managed Investment Models:** we create and manage four investment models to make it easy for participants to choose an investment allocation based on their risk tolerance level.
- **Fiduciary Compliance Monitoring Process:** we implement a fiduciary compliance program in accordance with the fi360 standards of excellence and we monitor the plan’s investments to help Plan Sponsors reduce their fiduciary liability.
- **Participant Education:** we help Plan Sponsors educate participants on the benefits of saving for retirement and we provide online tools that allow participants to determine how much they need to save to meet their retirement goals.
- **Annual Benchmarking Report:** we help Plan Sponsors reduce their fiduciary liability by providing an independent benchmarking report each year that compares the Company’s retirement plan with similar company sponsored retirement plans to determine if the administrative fees and expenses are reasonable.

**4.9 ASSETS UNDER MANAGEMENT:** As of **December 31, 2020**, PFA had **\$548,086,175** in assets under management, of which \$459,837,777 was discretionary and \$88,248,398 was non-discretionary.

## ITEM 5: FEES AND COMPENSATION

- 5.1 PFA PROVIDES FULL DISCLOSURE OF OUR FEES:** PFA is a FEE ONLY Investment Advisor and we don't accept any commissions or any other compensation from third parties for recommending investments to our clients. Our fees are calculated based on a percentage of the fair market value of each client's portfolio at the beginning of each quarter. Our clients authorize us to deduct our fees from their account(s) at the beginning of each quarter. Clients that open an account during the quarter will be subject to a prorated fee based on the number of days remaining in the quarter. Our minimum amount of assets under management ("AUM") is **\$1,000,000** and our minimum annual fee is **\$10,000**. We may waive our minimums and we may negotiate our fee based on a variety of factors, including the client's financial circumstances and goals, value of their portfolio, complexity of their planning work and other factors.
- 5.2 COMPREHENSIVE WEALTH PLANNING FEE SCHEDULE:** our Investment Management Fee Schedule includes our Comprehensive Wealth Planning services that are described in ITEM 4.

Paradigm Financial Advisors Comprehensive Wealth Planning Fee Schedule			
From	To	Annual Fee	Quarterly Fee
\$500,000	\$1,000,000	1.00%	0.25%
\$1,000,001	\$2,500,000	0.95%	0.24%
\$2,500,001	\$5,000,000	0.85%	0.21%
\$5,000,001	\$10,000,000	0.75%	0.19%
\$10,000,001	\$20,000,000	0.65%	0.16%
\$20,000,001	Higher	0.50%	0.13%
*Minimum annual fee is \$10,000			

- 5.2 OUTSIDE ASSETS:** Clients that engage us to manage **Outside Accounts** that cannot be transferred to Schwab or T.D. Ameritrade are subject to the following fee schedule:

Paradigm Financial Advisors Outside Assets Fee Schedule			
From	To	Annual Fee	Quarterly Fee
\$500,000	\$1,000,000	0.75%	0.19%
\$1,000,001	\$2,500,000	0.70%	0.18%
\$2,500,001	\$5,000,000	0.65%	0.16%
\$5,000,001	\$10,000,000	0.60%	0.15%
\$10,000,001	\$20,000,000	0.50%	0.13%
\$20,000,001	Higher	0.40%	0.10%

- 5.3 COMPANY SPONSORED RETIREMENT PLAN FEE SCHEDULE:** Clients that engage us to provide Fiduciary services for 401(k) Plans and other types of Company Sponsored Retirement Plans are subject to the following fee schedules:

Paradigm Financial Advisors 401(k) Fiduciary Services Fee Schedules			
From	To	ERISA 3(21) Co-Fiduciary	ERISA 3(38) Full Fiduciary
\$500,000	\$1,000,000	0.80%	0.90%
\$1,000,001	\$5,000,000	0.60%	0.70%
\$5,000,001	\$10,000,000	0.50%	0.60%
\$10,000,001	\$20,000,000	0.40%	0.50%
\$20,000,001	\$40,000,000	0.30%	0.40%
\$40,000,001	Higher	0.20%	0.30%
Minimum annual fee is \$15,000			



#### **5.4 FEE DIFFERENTIALS:**

- **Grandfathered Clients:** some clients may be subject to a different fee that our current fee schedule because they may be “grandfathered” under a previous fee schedule.
- **Negotiated Fees:** PFA, in its sole discretion, retains the right to waive its annual minimum fee, or negotiate a different percentage fee for certain clients based on a number of subjective factors, including, but not limited to: the total value of the client’s assets under management, the complexity of the planning work that the client wants to accomplish, the estimated amount of time that it will take PFA’s team of professionals to complete the client’s planning work, the scope of the overall services that PFA will provide and the projected value added from PFA’s planning expertise.
- **Linked Family Accounts:** PFA may link the accounts of multiple family members that are clients (referred to as a “family-sponsored” accounts) which often reduces the fee paid by family members with smaller account balances.
- **PFA Employees:** PFA waives our investment management fees for our employees.

**5.5 TERMINATION:** The advisory agreement can be terminated by either party upon thirty (30) days written notice. Upon termination, PFA will refund any unearned fees based on the number of days remaining in the current quarter after the 30-day notice period. Any financial planning retainer fees paid by clients that are grandfathered under any previous fee agreement are deemed earned when paid and are not refunded after termination. After we receive notice of termination, PFA will not be responsible for taking any action on behalf of the client and shall not have any obligation to take any action related to any securities, cash or other investments in the client’s account(s). PFA shall not have any obligation to complete any additional financial planning, tax planning, estate planning or other type of planning work after termination.

**5.6 CUSTODIAN AND FUND FEES:** In addition to the asset based fees that our clients pay each quarter, each client is responsible for paying the fees and expenses charged by their custodian and by the exchange-traded funds and/or mutual funds that the client owns. The fees charged by the client’s custodian are described in the custodian’s account agreement and the fees charged by any exchange-traded funds and/or mutual funds are described in each fund’s prospectus.

**5.7 INVOICES & PORTFOLIO REPORTS:** Clients can elect to receive their quarterly invoice electronically or by mail. PFA also prepares a detailed portfolio analysis for each client at the end of each quarter that provides information related to their asset allocation, performance and the fees that they have paid for the quarter and year to date.

## **ITEM 6: PERFORMANCE FEES**

PFA does not charge performance-based fees at the current time.

## **ITEM 7: TYPES OF CLIENTS**

PFA provides investment management and comprehensive wealth planning services for successful individuals and their families, corporate executives, physicians and other professionals, trusts, charitable entities, company sponsored retirement plans and pension plans.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

- 8.1 OUR INVESTMENT PHILOSOPHY:** We customize each client's portfolio based on their circumstances, risk tolerance and goals. We conduct a Risk Tolerance Assessment for each client to help them determine how much risk they are willing to take to achieve their financial goals. We use a proprietary "**Core + Tactical**" portfolio management philosophy that is based on the principals of Modern Portfolio Theory and tactical asset allocation. The "**CORE**" component of our portfolios typically consists of **low-cost exchange-traded funds ("ETFs")** that provide broad diversification. The "**TACTICAL**" component of our portfolios is comprised of individual **stocks** and **sector ETFs** that are selling at a discount to historic valuations.
- 8.2 STOCK ANALYSIS:** Over the past 25 years, we have developed a rigorous investment analysis that is designed to identify companies and sectors that are undervalued and are likely to outperform the overall market over the next 12 to 24 months. We analyze a number of final metrics for each stock that we recommend to our clients, which include: Price to Earnings Growth Rate, Free Cash Flow to Enterprise Value, Price to Earnings, Price to Free Cash Flow and Price to Sales. We compare the financial metrics with other companies in the same industry to determine if the stock is undervalued or overvalued. We also review quarterly earnings reports, conference call transcripts, SEC filings, third party research industry journals, annual reports, press releases, newspaper, and magazine articles. Our team uses the data developed in our research process to forecast the company's revenue and earnings growth over the next 3 to 5-years to determine if the stock is attractively priced. We also look at the quality and tenure of the company's CEO and management team, customer satisfaction and employee retention. We also conduct technical analysis to determine the relative strength and trading patterns of the stock. We also look at historical data to determine how an industry or company performed in the past during similar economic conditions. We use technical analysis to determine the relative strength and trading patterns of the stock. We also "stress test" our clients' portfolios to determine how they may be impacted by potential events, such as rising interest rates, higher inflation, a recession or terrorist attack.
- 8.3 FUND ANALYSIS:** We analyze the long-term track record, expense ratios and holdings of each mutual fund and ETF and we analyze their performance in good and bad markets. We drill down on the holdings of each fund to analyze the financial metrics of each company and their earnings forecasts. We also look at the sector weightings of each fund compared to other funds to determine if they are over or underweighted in certain sectors of the economy that are likely to perform well in the current economic environment.
- 8.4 RISK OF LOSS:** current and prospective clients must understand that past performance may not be indicative of future performance. We cannot guarantee the future performance of any specific investment or investment strategy. PFA cannot predict market tops and our client's portfolios may suffer significant losses during market declines. Clients are advised to review their portfolio on a monthly basis to ensure that their asset allocation is acceptable for their risk tolerance. Clients are also responsible for notifying PFA promptly if their circumstance or risk tolerance has changed.

## 8.5 TYPES OF INVESTMENT RISK:

- **Individual Stocks:** When investing in individual stocks, there is always company and industry specific risk that is inherent in each investment. There is the risk that the company could be negatively impacted by new regulations or other factors that impact the industry that the company is in. The price of an individual stock may increase or decrease significantly over a short period of time due to changes in earnings forecasts and macroeconomic changes. Holding individual stocks carries a higher degree of risk than holding an ETF or mutual fund that owns a large number of stocks.
- **Stock Options:** Stock options (puts, calls, etc.) are subject to significantly greater price fluctuations than the underlying stock or other security. Purchasing and writing options are highly specialized activities and entail greater amount of risk for investors. We do not use stock options unless we are instructed to do so by a client.
- **Margin Accounts:** If you intend to borrow funds in connection with your account, you will be required to open a margin account with your custodian. If you use margin, the securities that you own in the account are collateral for the custodian's loan. If those securities in a margin account decline in value, the value of the collateral supporting the loan also declines, and the brokerage firm may issue a margin call and if you cannot deposit additional funds, the custodian may sell some or all of the positions in your account. PFA does not use margin unless requested by a client after they have signed a margin agreement with their custodian.
- **Master Limited Partnerships:** Master Limited Partnerships ("MLP") are subject to general stock market fluctuations and the price of the MLP may increase or decrease significantly based on changes in investor perception and expectation. MLPs also face unique risks specifically related to energy prices, inflation/deflation, regulatory action, interest rates and geopolitical events.
- **Exchange-traded Funds and Mutual Funds:** The risk of owning an ETF or mutual fund generally reflects the risk of owning the underlying securities held by the ETF or mutual fund. Clients may also incur brokerage trading costs when buying or selling ETFs or mutual funds. A mutual fund may also have liquidity risk during the trading day if the price is not determined until the end of the day. An active mutual fund may also carry tax risk because it could distribute taxable capital gains in years when it has negative performance.
- **Real Estate Investment Trusts:** REITs rely heavily on borrowing money to purchase properties and if interest rates rise, their carrying costs increase which could reduce their distributions to investors. Refinancing risk is another major risk for any REIT. Valuation risk is the risk that the property values within the REIT drop during a crisis, which could cause them to breach certain loan covenants resulting in the loans becoming immediately repayable.
- **Concentration Risks:** PFA recommends that clients invest in a diversified portfolio of exchange-traded funds, mutual funds, individual stocks, and fixed income securities. If a client or prospective client chooses to have their investment portfolio heavily weighted in a small number of stocks, or a small number of asset classes or sectors, they will likely experience greater risk and volatility in their portfolio. Clients who have properly diversified portfolios typically incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. A concentrated portfolio may offer the potential for higher gains, but it may also result in larger losses.

- **Corporate Bonds:** Risks associated with fixed income securities include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign), and currency risk. If interest rates rise, the price of longer-term bonds that have maturities of 10 years could fall significantly. For example, a 1% increase in long-term interest rates has historically caused the price of bonds with a 20 year or longer maturity to fall by over 20%. Bonds with shorter maturities will not be impacted as much as longer-term bonds if interest rates rise.
- **Municipal Bonds:** Municipal bonds carry different risks than those of corporate, government and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally exempt from federal taxes, but they may be taxable at the state level.
- **U.S. Government Securities:** U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities are one of the safest investments available to investors because they are backed by the full faith and credit of the taxing authority of the United States government.
- **Commercial Paper and Certificates of Deposit:** Commercial paper and certificates of deposit are generally considered safe instruments, although their yields are impacted by interest rates and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

## **ITEM 9: DISCIPLINARY INFORMATION**

Neither PFA nor any of our Investment Advisory Representatives have ever been subject to any disciplinary action and we have not been involved in any criminal or civil actions or client complaints.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

**10.1 PFA IS A FEE ONLY FIRM:** PFA is a Fee Only Registered Investment Advisor and we serve our clients in a Fiduciary capacity 100% of the time. PFA's Advisors are not registered or affiliated with any broker dealer or insurance company. We don't sell insurance or annuities and we don't accept any commissions.

**10.2 THE REDING LAW FIRM:** Jim Reding is the sole owner of PFA and the Reding Law Firm. Jim Reding and McCarthy Grewe are both licensed attorneys and they are employed by PFA and the Reding Law Firm, LLC. PFA may refer clients to the Reding Law Firm for estate planning work but clients are not obligated or required to use their services. The Reding Law Firm may wave legal fees related to drafting a Living Trust and other types of estate planning documents for PFA clients. The Reding Law Firm may charge PFA clients legal fees for work not related to basic estate planning documents and any such fees are fully disclosed in an engagement letter. We are required to disclose that there could be a potential conflict of interest if a PFA client is referred to the Reding Law Firm if legal fees will be charged. However, PFA clients are not obligated or required to use the Reding Law Firm.



## **ITEM 11: CODE OF ETHICS, INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING**

- 11.1 CODE OF ETHICS:** PFA has established, maintains and enforces a written Code of Ethics pursuant to the Investment Advisors Act of 1940 to protect the best interests of our clients. PFA's Code of Ethics requires advisory personnel to avoid any activities that might interfere with their ability to make decisions in the best interests of our clients. In addition, PFA requires that all supervised persons with access to our investment recommendations provide annual securities holding reports and quarterly transaction reports to the firm's Compliance Department. PFA's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. PFA requires that all individuals must act in accordance with all applicable federal and state regulations governing Registered Investment Advisor practices and any individual not in observance of the above is subject to discipline. PFA will provide a copy of our Code of Ethics and insider trading policy upon request to any current or prospective client.
- 11.2 INTEREST IN CLIENT TRANSACTIONS:** PFA does not engage in principal trading (the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, PFA does not recommend any securities to advisory clients in which we have any ownership interest.
- 11.3 PURCHASE OF RECOMMENDED SECURITIES:** PFA's supervised persons may buy and sell the same securities that we recommend to clients after any pending client trades in the same security are executed. This policy ensures that PFA's employee trades will not impact the execution of any client trades. PFA, our advisors, affiliates, employees, and their families may execute securities transactions that are different from the securities recommended to our clients. PFA adopts and follows policies and procedures regarding securities transactions by our employees that are designed to ensure that we are acting in the best interest of our clients at all times. PFA requires that all supervised persons with access to our investment recommendations to provide report their securities holdings and transactions on a quarterly basis to our Compliance Department.

## ITEM 12: BROKERAGE PRACTICES & CUSTODIAN INFORMATION

**12.1 CUSTODIANS FOR CLIENT ASSETS:** We have entered into institutional custodial agreements with Charles Schwab Advisor Services (“Schwab”) and T.D. Ameritrade Institutional to provide brokerage and custodial services for our clients. We have also entered into custodial agreements with Vanguard , TIIA CREF, Ascensus, Empower, Prudential and Jefferson National related to certain company sponsored retirement plans and to manage annuities for our clients. All of these custodians provide a variety of services that benefit investment advisors, including online access, trade execution, duplicate statements, research reports, and trading software. PFA is independently owned and we are not affiliated with any custodian or broker dealer; we do not receive any portion of their ticket charges or other fees. Schwab and T.D. Ameritrade are compensated for their services by trading fees, margin interest and other transaction-related fees paid by clients and their fees are separate and distinct from PFA’s quarterly fees. Clients sign an account agreement directly with their custodian which describes their fees.

**12.2 FACTORS CONSIDERED IN SELECTING A CUSTODIAN:** We seek to recommend a custodian who will safeguard our client’s assets, keeps costs low and provides best execution on trades. We consider a wide range of factors, including:

- 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.);
- Types of investments that they provide access to (stocks, bonds, mutual funds, exchange-traded funds, options, third party managers, etc.);
- Availability of investment research and tools that assist us in making investment decisions;
- Quality of services provided for our clients;
- Costs for their services (ticket charges, commission rates, margin interest rates, other fees, etc.) and willingness to negotiate pricing;
- Reputation, financial strength, and stability;
- Prior service to PFA and our clients; and
- Industry research related to best practices for RIA firms, etc.

**12.3 ANNUAL REVIEW OF CUSTODIANS:** PFA conducts an annual review of the custodians that we recommend to clients. Our review includes, but is not limited to, protection of our clients’ assets, range and quality of service, trading fees, money market and margin interest rates, and execution capability. We compare the services and costs of the custodians that we are currently using to other custodians to determine the competitiveness of the custodians. There may be other custodians that have lower commissions or better execution and clients can use any custodian that they chose. We take into account the availability of some of the foregoing services as part of the total mix of factors that we consider in selecting the custodians we recommend to clients, which could create a potential conflict of interest.

- 12.4 SOFT DOLLAR ARRANGEMENTS:** PFA does not participate in any “soft-dollar” arrangements, and we do not direct commission business to any broker-dealer in exchange for products or services.
- 12.5 BEST EXECUTION:** When a client uses Schwab or T.D. Ameritrade as custodian, we typically execute transactions with such firm because it would not be cost efficient to execute transactions directly with specialists and market makers at other firms due to additional transfer charges. In PFA’s judgment, Schwab and T.D. Ameritrade provide best execution of trades for our clients.
- 12.6 BLOCK TRADING:** The majority of trades that PFA makes are completed on an individual basis. However, we may use block trading when we are buying or selling the same security for a number of clients at the same time. Block trading enables us to aggregate all the individual trades of multiple clients into one order to reduce trading costs and obtain a better execution price. When we use block trading to aggregate client orders, we allocate the trades to all participating clients based on a pro-rata formula to ensure that the trades are allocated in a fair and equitable manner. PFA’s employees do not participate in block trades for our clients’ accounts.
- 12.7 TRADE ERRORS:** If a trading error is made in a client’s account, we will determine the source and cause for the error and if the error is the fault of the custodian then they will correct the error and bear any resulting costs. If the error was made by PFA, we will bear the costs of correcting the error. Trade errors resulting in a gain will be credited to an error account and distributed to charity. The details of each error will be documented by our trading manager, submitted to the CCO for review and saved in our Error Account file.

## **ITEM 13: REVIEW OF ACCOUNTS**

- 13.1 PORTFOLIO REVIEW PROCESS:** Jim Reding and the Investment Advisor Representative that is assigned to each client review the client's accounts on a regular basis. We meet with clients on an ongoing basis and we advise them to inform us if there is any change in their personal and financial circumstances, goals or risk tolerance.
- 13.2 ACCOUNT STATEMENTS & REPORTING:** Our clients receive trade confirmations and monthly account statements directly from their custodian. We send our clients a portfolio analysis report at the end of each quarter that shows their asset allocation and the performance of the positions in their portfolio. We advise our clients that they should compare the account statements they receive from their custodian with the quarterly reports they receive from us to verify the accuracy thereof.

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

- 14.1 SCHWAB & T.D. AMERITRADE:** PFA is not affiliated with Schwab or T.D. Ameritrade. We do not participate in their client referral programs and we do not receive a portion of any ticket charges or other fees charged to our clients. PFA benefits from the software, technology, investment research and support services that Schwab and T.D. Ameritrade provide because it helps us operate more efficiently and may help us reduce our costs for investment research, so there is a potential conflict when we recommend them as custodians for our clients. However, the services provided by Schwab and T.D. Ameritrade are not contingent upon us bringing them more business and similar services are available at many of the other custodians.
- 14.2 CLIENT REFERRALS TO OUTSIDE PROFESSIONALS:** PFA may also recommend outside professionals such as attorneys, accountants, insurance agents, real estate agents and mortgage brokers, etc. PFA clients are under no obligation to engage the services of any professional that we recommend. PFA does not receive any compensation from any outside professional that we may refer a client to but there could be a conflict of interest if they refer clients to PFA. The outside professionals that we refer clients to are not required to provide referrals back to us in return. PFA recommends outside professionals solely based on their qualifications and the quality of their past work.

## ITEM 15: CUSTODY

**15.1 ANNUAL CUSTODY AUDIT:** Pursuant to Rule 206(4)-2 under the Investment Advisers Act, PFA undergoes a surprise audit by an independent CPA firm each year for any accounts that we are deemed to have custody of under the following circumstances:

- **Trustee Services:** Jim Reding is a licensed attorney and owner of the Reding Law Firm, LLC, which provides independent trustee services. A number of PFA clients have appointed Jim Reding to serve as trustee of their trust.
- **Online Access to Outside Accounts:** Clients often grant PFA authorization to use their password to log into their outside accounts that are not held at Schwab or T.D. Ameritrade in order to manage their investment allocation.
- **Transferring Money for Clients:** Our clients often grant us a limited power of attorney that authorizes us to move money between their accounts on their behalf, to process required minimum distributions and to move money from their investment account to their checking account.

**15.2 ANNUAL SURPRISE EXAMINATION:** PFA is deemed to have custody in certain circumstances and we are therefore required to have an annual surprise examination conducted by an independent registered public accounting firm. Brown, Smith & Wallace LLC, located at 6 Cityplace Drive, Suite 900, Creve Coeur, MO 63141, conducts our annual surprise exams. The date of our last surprise exam was in July 30, 2020. PFA files an annual report with the SEC attesting that we have complied with the annual surprise examination requirements.

**15.3 CLIENT ACCOUNTS MAINTAINED SEPARATELY:** All client funds and securities, including funds and securities of trust clients, are maintained in separate accounts for each client and are held by qualified custodians that are not affiliated with PFA. PFA is not a custodian and we do not hold any assets for clients.

## ITEM 16: INVESTMENT DISCRETION

PFA provides investment advice on a Discretionary and Non-discretionary basis.

- 16.1 DISCRETIONARY CLIENTS:** Discretionary clients agree to establish an account with an independent, qualified custodian (the “**Custodian**”) and to deposit cash and/or securities to be managed by PFA into the account (the “**Portfolio**”). After notification by the Custodian that the Portfolio has been funded, PFA will assist in developing the client’s investment strategy. PFA is not responsible for any changes in market value of the Portfolio prior to the time that we commence management of the Portfolio. After the client has approved the investment strategy, we will commence managing the Portfolio and have exclusive authority on a fully discretionary basis to buy, sell, and otherwise trade in stocks, bonds, open-end and closed-end mutual funds, exchange-traded funds, REITs, commodities funds and other securities or assets, and to invest, reinvest, or hold cash, on behalf of the Portfolio.
- 16.2 NON-DISCRETIONARY CLIENTS:** PFA provides investment recommendations to non-discretionary clients, and, with the client’s consent, we will implement recommended transactions on their behalf. We shall not be responsible for implementing the recommendations we provide non-discretionary clients unless they grant us a limited power of attorney for trading purposes. PFA is not be responsible for changes in market value of the Portfolio prior to the time that we commence management of the Portfolio. Non-discretionary clients are responsible for accepting or rejecting our recommendations on a timely basis.

## **ITEM 17: VOTING CLIENT SECURITIES**

It is currently PFA's policy not to exercise proxy voting authority over client securities. PFA does not have authority to vote proxies for its clients on any matters regardless of whether PFA's investment authority is discretionary or non-discretionary. Each client retains sole and absolute authority and responsibility to vote proxies with respect to investments owned by the client.



## **ITEM 18: FINANCIAL INFORMATION**

- 18.1** PFA does not require prepayment of fees of \$1,200 or more, six months or more in advance, and we are therefore not required to file a balance sheet with the SEC.
- 18.2** PFA does not believe there are any financial conditions that would impair our ability to meet our contractual commitments to clients.
- 18.3** PFA and our Investment Advisors have never been involved in a bankruptcy filing.

## ITEM 19: ADDITIONAL INFORMATION

**19.1 ANTI-MONEY LAUNDERING:** PFA has implemented an Anti-Money Laundering Policy setting forth procedures to detect and potentially report suspicious activity. We will obtain, verify, and record information that identifies each person who opens an account. When you open an account, we will ask for your name, address, date of birth and other information that will allow us to identify you. We will also ask to see your driver's license or other form of identification.

**19.2 BUSINESS CONTINUITY PLAN AND SIGNIFICANT BUSINESS DISRUPTION:** PFA has developed a Business Continuity Plan on how we will respond to events that significantly disrupt our business. It is reasonably designed to allow the firm to continue serving clients and provide them with access to their funds and securities in the event of a Significant Business Disruption ("**SBD**").

- (a) **Anticipated Disruptions:** Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our building. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, or a wide-scale, regional disruption.
- (b) **Business Disruption Response Plan:** In the event of a Significant Business Disruption, we are prepared to move our staff to a remote location where we will obtain access to our cloud-based server and we will post updates on our website and email each client. For those clients that do not have computer access, we will call them directly or use regular mail to keep them informed. PFA can access client account information and trading capabilities securely on the internet and we can perform day to day activities, such as check requests, withdrawals, trading and retrieving historical information. However, our ability to trade securities may be impacted by severe market disruptions that are outside of PFA's control, such as during time periods where trading is suspended, such as during the September 11th terrorist attack.
- (c) **Emergency Contact Information:** If a disaster occurs and a client is unable to reach our office, they can contact: **JAMES T. REDING at (314) 805-9346 or jredingpfa@gmail.com**
- (d) **Primary Custodian Emergency Contact:** Our clients also have the ability to contact their custodian directly to process limited trade related transactions and cash disbursements:

**Schwab Institutional**  
Central Team  
P.O. Box 628290  
Orlando, FL 32682-8290  
1 (877) 648-4711

**T.D. Ameritrade Institutional**  
Midwest Team  
5010 Wateridge Vista Drive  
San Diego, CA 92121  
1 (800) 669-3900

**19.3 BUSINESS SUCCESSION PLAN:** Jim Reding has executed a written Business Succession Plan to provide for continuity of service for PFA clients in the event of his death or disability.