

## **Item 1 – Cover Page**

### **Brokers International Financial Services, LLC**

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Urbandale, IA 50322

877-886-1939

[www.brokersifs.com](http://www.brokersifs.com)

March 29, 2021

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This brochure provides information about the qualifications and business practices of Brokers International Financial Services, LLC (“Brokers Financial”, “us”, “our”, or “we”). If you have any questions about the contents of this brochure, please contact us at (877)-886-1939 or at [compliance@brokersfinancial.com](mailto:compliance@brokersfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Brokers Financial is a registered investment adviser. While registration is required under law, registration of an investment adviser or broker-dealer does not imply any specific level of skill or training.

Additional information about Brokers Financial is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and on FINRA’s website at [www.finra.org/brokercheck](http://www.finra.org/brokercheck). You can view our information on this website by searching for our name Brokers International Financial Services, LLC or our CRD # 139627.

## **Item 2 – Material Changes**

This Brochure dated March 29, 2021 represents an annual update to the Brochure for Brokers International Financial Services, LLC.

The following summarizes the material changes made to the Brokers Financial brochure since March 27, 2020:

### **1. Item 18 – Financial Information:**

This section was updated to remove information regarding the receipt of a Paycheck Protection Program loan through the U.S. Small Business Administration as Brokers Financial met the requirements for the loan to be forgiven. (effective December 22, 2020).

### Item 3 – Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business .....	4
Introduction .....	4
Primary Advisory Services .....	4
Participation in Wrap Fee Programs .....	7
Tailor Advisory Services to Individual Needs of Clients .....	7
Model Portfolios .....	7
Client Assets Managed by Brokers Financial .....	8
Item 5 – Fees and Compensation .....	8
Advice Incidental to Brokerage Service .....	8
Financial Planning Services .....	8
Hourly Consulting Services .....	8
Retirement Plan Consulting Services .....	9
Retirement Plan Participant Consulting Services .....	9
Asset Management Services .....	10
Termination of Services .....	11
Third-Party Investment Advisers .....	11
Item 6 – Performance-Based Fees and Side-By-Side Management .....	12
Item 7 – Types of Clients .....	12
Minimum Investment Amounts Required .....	12
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Risk of Loss .....	14
Item 9 – Disciplinary Information .....	14
Item 10 – Other Financial Industry Activities and Affiliations .....	15
Third-Party Money Managers .....	15
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading .....	15
Code of Ethics Summary .....	15
Affiliate and Employee Personal Securities Transactions Disclosure .....	16
Client Referrals and Other Compensation .....	16
Item 12 – Brokerage Practices .....	17
Handling of Trade Errors .....	19
Block Trading Policy .....	19
Item 13 – Review of Accounts .....	20
Account Reviews and Reviewers .....	20
Statements and Reports .....	20
Item 14 – Client Referrals and Other Compensation .....	20
Item 15 – Custody .....	22
Item 16 – Investment Discretion .....	23
Item 17 – Voting Client Securities .....	23
Item 18 – Financial Information .....	23

## Item 4 – Advisory Business

### Introduction

Brokers Financial is a SEC registered investment adviser and broker-dealer with its main operations located in Urbandale, Iowa. Brokers Financial started operations in 2006 and we are wholly owned by Brokers International, Ltd.

Our investment adviser representatives (Advisors) are independent contractors and not employees of Brokers Financial. Some Advisors are also broker-dealer registered representatives of Brokers Financial and sell products that are commission-based. To determine whether an advisory program is appropriate for you, you need to consider your account size, how often the account is traded, the type and quantities of securities purchased or sold, commission rates, and your tax situation. For example, an advisory account is often more cost effective when trading activity is higher than a commission-based account; however, the same advisory account is often more expensive than a commission-based account when trading activity is lower.

You should have a conversation with your Advisor and read this Disclosure Brochure carefully when deciding if the advisory services available through us are right for your investment needs.

This document describes the services offered by Brokers Financial and the fees that can be charged. Services and fees charged vary by Advisor. We instruct our Advisors to consider your needs when recommending an advisory service.

We have several Advisors who own their own legal business entities, through which we conduct a portion of our advisory business. These business names and logos may appear on marketing materials as approved by us, or client statements as approved by the custodian of your account assets. You should understand that these businesses are legal entities of those Advisors and not of Brokers Financial or the custodian. These legal business entities may provide services other than investment advisory services as disclosed in this Brochure. However, all investment advisory services are provided through us.

Our Advisors engage in business activities outside of our Firm that pose conflicts of interest in their recommendations. Outside business activities are reviewed and disclosed by the Firm for each financial professional and can be found by visiting [Investor.gov/CRS](http://Investor.gov/CRS).

Not all Advisors registered with our Firm are registered in a capacity to offer both broker-dealer and investment adviser services, thus the services they offer are limited to their registration. We encourage you to research the financial professional, professionals' licenses, and firm affiliations at [Investor.gov/CRS](http://Investor.gov/CRS).

### Primary Advisory Services

**Asset Management Services** – Asset Management Services is when we or our Advisor provide you with continuous and on-going supervision of your accounts through one of our advisory programs. Our advisory programs include our wrap programs (Aspire and Retirement Ally) and non-wrap programs (Edge and FMA).

#### Brokers Financial Wrap Programs:

For information regarding our Wrap Programs, please see our Appendix 1 – Wrap Fee Brochure for a detailed list of fees and services.

#### Brokers Financial Edge Program (Edge Program):

Through our Edge Program our Advisor selects the securities in your account. Your Advisor may develop general models/strategies or they may develop an individualized portfolio for you. Investment strategies, models, and philosophies used within the Edge Program vary based on the Advisor providing the advice. For example, some Advisors limit their strategies/models/philosophies to mutual funds and exchange traded funds (ETFs) while others provide a broad range of securities including but not limited to: stocks, bonds, treasuries, ETFs, certificates of deposit, mutual fund shares, municipal securities, and options contracts on securities.

Your account in the Edge Program is a discretionary account which means your Advisor has the authority to buy or sell securities without obtaining your approval prior to each transaction. Your Advisor must meet our qualifications before they can exercise discretion over your account. Your Advisor is required to tell you if they are using discretion on your account.

You can place reasonable restrictions on the types of investments that are purchased in your Edge Program account. You may also place reasonable limitations on the discretionary power granted to your Advisor as long as the restrictions and limitations are specifically set forth in writing or included as an attachment to the appropriate client agreement. Please note that any restriction or limitation you impose could affect the performance of your account. Discretionary authority remains in place until you or we terminate the relationship. You may also designate your account as nondiscretionary which means that you make the ultimate decision regarding the purchase or sale of investments.

In order to determine a course of action for you, your Advisor reviews your circumstances. This review should include, your investment objectives, your overall financial condition, your income and tax status, your personal and business assets, your risk profile, and other factors unique to your circumstances. Based on this review, your Advisor will either develop an individualized portfolio for you or recommend a model or strategy.

You are responsible for notifying us or your Advisor of any changes to your financial situation, your investment objectives, or if you want to add or change a reasonable restriction or limitation on your account. We recommend you review this information on a quarterly basis. Your Advisor is required to contact you annually to review your account(s), your financial situation, and your investment objectives.

We recommend that clients establish accounts through the following custodians:

- TD Ameritrade (through the TD Ameritrade Institutional Program), a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer.;
- Pershing Advisor Solutions LLC, a broker-dealer, member SIPC/FINRA ("Pershing");
- Charles Schwab & Co., Inc., a broker-dealer, member SIPC/FINRA ("Schwab");
- or others, as applicable.

All may be referenced as "Custodian." In order to participate in the Edge Program through TD Ameritrade and Schwab, you need to name Brokers Financial as your investment adviser on the account.

Brokers Financial Flexible Managed Account Program (FMA Program):

Brokers Financial is currently not accepting new accounts for the FMA Program. With the Brokers Financial FMA Program, Advisors utilize the services of Sub-Advisors when formulating asset allocation, industry and sector selection, and individual investment recommendations in constructing and maintaining custom portfolios. All or a portion of the client's assets may be managed by and among the recommended Sub-Advisers based upon your stated investment objectives. The terms and conditions under which you would engage a Sub-Adviser is explained in separate written agreements between you and Brokers Financial and you and the designated Sub-Adviser. You will generally not have any day to day contact with the Sub-Adviser. All communications between you and the Sub-Adviser will be handled by your Brokers Financial Advisor.

The recommendation of a Sub-Adviser is contingent on the Sub-Adviser passing the due diligence requirements of our Firm. We will not recommend the use of a Sub-Adviser unless the Sub-Adviser is registered or exempt from registration as an investment adviser in the client's home state. We evaluate Sub-Advisers based on extensive information they provide, including descriptions of its investment process, asset allocation strategies, sample portfolios, and the Sub-Adviser's Form ADV, Part 2. We will also analyze performance, risk characteristics and management style.

Currently, Brokers Financial has approved the following investment advisers to serve as Sub-Advisers through the FMA Program: Dorsey Wright & Associates, Inc. doing business as Dorsey Wright Money Management and Foresight Investment Advisors, LLC.

The recommendation of a Sub-Adviser by an Advisor is done on non-discretionary basis with the specific terms outlined in the Investment Advisory Agreement. This means the client will have the final authority to

hire or fire a Sub-Adviser. Such decisions must be made in writing. However, Brokers Financial reserves the right to add or remove Sub-Advisers from the FMA Program's platform. This means that we retain the authority to remove a Sub-Adviser from the platform without prior notice to you.

Through the FMA Program, Dorsey Wright and Foresight Investment Advisors, primarily serve as a strategist. This means they will not have direct access to manage your account, but they will develop model portfolios that your Advisor may recommend to you.

As a part of the Investment Advisory Agreement you grant Brokers Financial the ability to exercise discretionary trading authority for the day to day management of your accounts based on trading signals received from the Sub-Advisers.

### **Planning and Consulting Services**

As part of our planning and consulting services, our Advisors may provide some, all, or none of the services described below. Please note that the services listed below do not provide for active management (i.e. the asset management services described above) or monitoring of your account except for Retirement Plan Participant Consulting Services. Our planning and consulting services do not have any net worth or income requirements. You can choose to implement recommendations on your own or work with us and our advisor or registered representative. If you choose to work with us, you will pay additional fees associated with those services.

**Financial Planning Services** – The role of our Advisor in providing financial planning services is to deliver a plan that helps you understand your overall financial situation and helps you set financial objectives. You are responsible for implementing any of the recommendations made by the Advisor. Financial planning services terminates upon delivery of the financial plan.

**Hourly Consulting Services** – The role of our Advisor in providing hourly consulting services is to work with you throughout the year on different aspects of financial planning but without the delivery of a written plan. You are responsible for implementing any of the recommendations made by the Advisor. Hourly consulting services automatically terminate one year from the date you entered into the agreement or upon completion of delivery of services.

**Financial Planning Seminars** – Financial planning seminars may include topics related to wealth management, financial planning, retirement strategies, or various other economic and investment topics. Information presented is not based on any one person's needs and individualized investment advice is not provided to attendees during the seminar. Attendees are encouraged to have individual consultations with the Advisor and to have a financial plan prepared but are under no obligation to do so. The Advisor may receive approval to conduct financial planning seminars for corporate employees.

**Retirement Plan Consulting Services** – We offer retirement consulting services to employee benefit plans and their fiduciaries. The services are designed to assist the plan sponsor (the "Company") in meeting its management and fiduciary obligations to the plan under ERISA. Retirement consulting services may consist of general or specific advice.

**Retirement Plan Participant Consulting Services** – The role of our Advisor is to provide a written recommendation for your retirement plan. The written recommendation is based on financial and other information you provide. You may also choose to have your Advisor provide Asset Management Services based on the investment options available within your retirement plan.

Neither Brokers Financial or our Advisors provide recommendations or advice regarding loans from your retirement plan assets. Once a written recommendation is provided, you are responsible for implementing any recommendations made by the Advisor. Retirement planning consulting services terminates upon delivery of the written recommendation.

**Third-Party Investment Advisers** – Under this service, you have access to advisory services offered by third-party money managers. The third-party money managers are responsible for continuously monitoring your account and making trades when necessary. Third-party investment advisers are subject to review and approval by Brokers Financial and are subject to change.

Your Advisor will assist you with identifying your risk tolerance and investment objectives. Our Advisors will recommend third-party investment advisers in relation to your stated investment objectives and risk

tolerance. You may select a recommended third-party investment adviser based upon your individual needs. In order to participate in this service, you are required to enter into an agreement directly with the unaffiliated third-party investment adviser who provides the asset management services.

Your Advisor is available to answer questions you may have regarding your account and act as the communication conduit between you and the third-party investment advisers. Third-party investment advisers may obtain discretionary authority from you to determine the securities to be purchased and sold for your account. Brokers Financial and our Advisors will not have any trading authority with respect to your managed account with the third-party investment adviser(s).

Third-party managed programs generally have account minimum requirements that will vary from investment adviser to investment adviser. Account minimums are generally higher on fixed income accounts than equity-based accounts. A complete description of the third-party investment adviser's services, fee schedules and account minimums will be disclosed in the third-party investment adviser's Form ADV, Part 2A Appendix 1 Disclosure Brochure, or similar Disclosure Brochure which will be provided to clients at the time an agreement for services is executed and account is established. The format and frequency of client reporting varies depending on the selected third-party investment adviser.

While Brokers Financial consistently reviews the performance of numerous third-party investment adviser firms, we will only approve a select number of third-party investment advisers available to its Advisors. Third-party investment advisers recommended by Brokers Financial must be registered or exempt from registration in the state where the client resides.

**Specialization** – Advisors may focus on specific or certain types of advisory services over other types of advisory services.

**Advice on Certain Types of Investments** – With some exceptions, our Advisors may provide investment advice on most types of investments owned by a client and, at the specific request of a client, will explore investment options not currently owned by a client. However, our Advisors are not permitted to provide advice on futures or commodity contracts.

### **Participation in Wrap Fee Programs**

We offer services through both wrap-fee programs and non-wrap fee programs.

- A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.
- A non-wrap fee program traditionally includes individual transaction charges and other service charges in addition to any investment advisory fee that is charged.
- Whenever a fee charged to a client for services described in this brochure (whether wrap fee or non-wrap fee), Brokers Financial receives all or a portion of the fee charged.

### **Tailor Advisory Services to Individual Needs of Clients**

Our services are always provided based on the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. Advisors will work with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information. Accounts are managed as directed by each client in the completion of their individual Investment Policy Statements.

### **Model Portfolios**

Accounts utilizing the Firm's Asset Management Services program are managed in accordance with one or more investment models. When utilizing models, investment selections are based on the underlying model and customized (or individualized) portfolio holdings are not developed. The determination to use a model or models is always based on each client's individual investment goals, objectives, and mandates.

## **Client Assets Managed by Brokers Financial**

As of December 31, 2019, Brokers Financial managed approximately \$940,500,252. \$495,355,549 is managed on a discretionary basis and \$445,144,703 is managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Advice Incidental to Brokerage Service**

Brokers Financial is a dually registered broker-dealer and investment adviser. The primary business activity of Brokers Financial is acting as a securities broker-dealer. When acting as a securities broker-dealer we may provide securities related advice to brokerage clients, which is incidental to brokerage services for which no special compensation is received other than the customary and usual commissions paid by customers for brokerage services. We make money from retaining a portion of commissions and account services fees offered as a broker-dealer. We can buy investments from you and sell investments to you from our own brokerage accounts (called “acting as principal”) and we earn profit on these trades, and it provides an incentive to encourage the investor to trade with us.

Brokerage services and this incidental advice are provided by individuals who are Registered Representatives of Brokers Financial. Clients only receiving brokerage services from Brokers Financial, including those receiving incidental securities advice from broker-dealer Representatives are not considered to be investment advisory clients.

### **Financial Planning Services**

The fees for financial planning services are either on an hourly or fixed basis, are negotiated between you and your Advisor, and are based on the complexity of the services requested, the amount of research required to provide the services, and the complexity of the financial plan. Fees are negotiable and listed in the Financial Planning and Consulting Agreement. Advisors may charge no more than \$500 per hour for financial planning services on an hourly basis and may charge between \$0 – \$50,000 for financial planning services on a fixed basis. Advisors providing financial planning services on an hourly basis will provide you with an estimated number of hours to provide the services requested on the Financial Planning and Consulting Agreement.

Fees for financial planning services are paid to Brokers Financial and we pay a portion of that fee to your Advisor. The agreed upon fee is either due up front when you sign the Financial Planning and Consulting Agreement, when the financial plan is delivered to you, or one-half of the fee is due when the Financial Planning and Consulting Agreement is signed and the remaining balance is due at when the financial plan is delivered to you. We will not charge more than \$500 six or more months in advance of delivering the financial plan.

### **Hourly Consulting Services**

The fees for hourly consulting services are on an hourly basis and negotiated between you and your Advisor. Fees are negotiable and listed in the Financial Planning and Consulting Agreement. Advisors may charge no more than \$300 per hour.

Fees for hourly consulting services are paid to Brokers Financial and we pay a portion of that fee to your Advisor. The agreed upon fee is either due up front when you sign the Financial Planning and Consulting Agreement or you may establish a payment plan (i.e. monthly, quarterly, semi-annually). The Financial Planning and Consulting Agreement automatically terminates one year from the date of execution or upon completion of delivery of services.

Clients should understand that the financial planning or hourly consulting fee the client negotiates with the Advisor may be higher than fees charged by other investment advisors for similar services. This is the case, in particular, if the fee is at or near the maximum fees set out above. The Advisor is responsible for determining the fee to charge each client based on factors such as total amount of assets involved with the relationship, the complexity of the planning services, and the number and range of supplementary advisory and client-related services to be provided. Clients should consider the level and complexity of the planning services to be provided when negotiating the fee with the Advisor.



For financial planning and hourly consulting services you may terminate your agreement within five (5) business days of execution without penalty. After five (5) business days of entering into the advisory agreement, you may still terminate your agreement upon our receipt of your written notice to terminate. You will be responsible for any work completed by the Advisor in providing the advisory services or analyzing your particular situation. While financial planning services are prepared with the intention of you implementing recommendations made within the plan through Brokers Financial you are in no way obligated to do so.

### **Retirement Plan Consulting Services**

The Advisor will determine whether to bill the Company for retirement plan consulting services at a pre-determined hourly rate, a fixed fee or based upon a percentage of Plan assets. Fees may be billed quarterly in advance or in arrears. In special circumstances other fee-paying arrangements may be negotiated. The above referenced terms will be disclosed in the client agreement we sign with the Company. Fees for retirement plan consulting services are paid to Brokers Financial and we pay a portion of that fee to your Advisor.

The Company may terminate the written agreement they signed with us within five days of the execution date without penalty. Thereafter, the written agreement may be terminated by us or the Company at any time upon 60 days prior written notice. Upon termination, we will deliver a final billing statement for unbilled work performed prior to termination, and the Company will have a period of 30 days within which to deliver payment. If we bill the Company in advance and if the termination of the client agreement occurs after the first five days, our fee will be credited back to the Company on a pro-rata basis for the unused portion of the billing period. When we calculate the credit, we will subtract any unbilled work we performed for the Company prior to termination.

### **Retirement Plan Participant Consulting Services**

The fees for retirement plan participant consulting services are either on an hourly or fixed basis, are negotiated between you and your Advisor, and are based on the complexity of the services requested, the amount of research required to provide the services, and the complexity of the written recommendation. Fees are negotiable and listed in the Retirement Plan Participant Consulting Agreement. Advisors may charge no more than \$500 per hour for retirement plan participant consulting services on an hourly basis and may charge between \$0 – \$5,000 for retirement plan participant consulting services on a fixed basis. Advisors providing retirement plan participant consulting services on an hourly basis will provide you with an estimated number of hours to provide the services requested on the Retirement Plan Participant Consulting Agreement. The maximum annual overall fee for Advisors providing Asset Management Services for retirement plan participants is 1.2% which represents a maximum advisor fee of 1% and a 0.2% service fee.

Fees for retirement plan participant consulting services are paid to Brokers Financial and we pay a portion of that fee to your Advisor. The agreed upon fee is either due up front when you sign the Retirement Plan Participant Consulting Agreement, when the written recommendation is delivered to you, or one-half of the fee is due when the Retirement Plan Participant Consulting Agreement is signed and the remaining balance is due at when the written recommendation is delivered to you. We will not charge more than \$500 six or more months in advance of delivering the written recommendation.

Clients should understand that the fee the client negotiates with the Advisor may be higher than fees charged by other investment advisors for similar services. This is the case, in particular, if the fee is at or near the maximum fees set out above. The Advisor is responsible for determining the fee to charge each client based on factors such as total amount of assets involved with the relationship, the complexity of the planning services, and the number and range of supplementary advisory and client-related services to be provided. Clients should consider the level and complexity of the planning services to be provided when negotiating the fee with the Advisor.

For retirement plan participant consulting services, you may terminate your agreement within five (5) business days of execution without penalty. After five (5) business days of entering into the advisory agreement, you may still terminate your agreement upon our receipt of your written notice to terminate. You will be responsible for any work completed by the Advisor in providing the advisory services or analyzing your particular situation.

## Asset Management Services

Asset Management Services is when we or our Advisors provide you with continuous and on-going monitoring of your account(s) through one of our advisory programs. Our advisory programs include our wrap programs (Aspire and Retirement Ally) and non-wrap programs (Edge and FMA). You will pay fees and costs whether you make or lose money on your investments. Fees and costs reduce any amount of money you make over time.

## Brokers Financial Wrap Program

For information regarding the Brokers Financial Wrap Program please see our Appendix 1 – Wrap Fee Brochure for a detailed list of fees and services.

## Brokers Financial Edge and FMA Programs

Clients in the Edge Program and FMA Program (collectively referred to as the “Programs”) pay a single annualized fee, based upon a percentage of the value of cash and investments in the account. The services provided by the Programs may cost clients more or less than purchasing such services separately. We and our Advisor have an incentive to encourage you to increase the assets in your account as you pay the fee even if no trading activity occurs in your advisory account.

Brokers Financial is a participant in Pershing's FUNDVEST® ticket charge program. This program offers mutual funds with no transaction fees which provides your advisor with an incentive to recommend a mutual fund available through the FUNDVEST® Program. Through formal agreements Brokers Financial is eligible to receive revenue sharing participation for assets that are held within these programs. Pershing, in its sole discretion, may add or remove mutual funds from the FUNDVEST® Program without prior notice. Share classes of certain funds in the FUNDVEST® Program are more expensive than the share classes of the same or other similar funds offered outside of the FUNDVEST® Program, or through other investment advisers. Restrictions may apply in certain situations.

	Edge Program	FMA Program
Maximum annual total program fee:	2.20%	2.55%
Maximum annual advisor fee:	2.00%	1.50%
Maximum annual service fee:	.20%	N/A
Maximum annual management fee:	N/A	1.05%
Administrative fee:	\$30/quarter or \$10/month <sup>1</sup>	\$30/quarter or \$10/month <sup>2</sup>

<sup>1</sup> An administrative fee may be charged when the service fee for the billing period is less than the administrative fee.

<sup>2</sup> An administrative fee may be charged when the management fee for the billing period is less than the administrative fee.

Advisors may negotiate fees with individual clients based on the client's individual financial situation, complexity, knowledge, and assets under management. The specific fee charged to each client will be outlined in, or attached to, the Investment Advisory Agreement.

The annual management fee will be agreed upon in advance and will be paid directly from the available funds held in your account. For accounts established through Pershing, management fees are calculated and billed quarterly in arrears based on the value of the client's account(s) at the end of the quarter. For accounts established through TD Ameritrade or Schwab, management fees are calculated and billed monthly, in advance, based on the value of the client's account(s) at the end of the prior month. Some money managers have authorized a monthly billing cycle that could be utilized by us for billing. For accounts established at TD Ameritrade or Schwab, clients must authorize Brokers Financial to instruct TD Ameritrade or Schwab to deduct each outstanding management fee from their account and to include on each quarterly statement the amount of advisory fees paid for that time period. Upon a client's request, we will provide an accounting of the manner in which a particular fee was calculated. When deemed appropriate by Brokers Financial a Sub-Adviser may be granted authority by the client to deduct the portion of the advisory fee due them in providing services to the account. Fees for the Programs are paid to Brokers Financial and we pay a portion of that fee to your Advisor.

## **Other Fees**

Custodians also charge fees associated with processing of trades and custody of funds. Common fees include annual account maintenance fees, custodial fees, transaction processing fees, and paper statement delivery fees. You should discuss with your financial professional which fees are charged by the custodian as they are different.

Investments selected for your account impose additional fees such as internal fund expenses for mutual funds and exchange traded funds. Some investments also impose fees to sell the investment typically called a deferred sales charge. Investment fees and any applicable deferred sales charges can be found in the prospectus.

Fees charged by Custodians (Schwab, Pershing, or TD Ameritrade) are separate from the annual management fee and are billed directly to your account. Brokers Financial will not receive any portion of these fees from the Custodians or the client.

Additionally, you may incur certain charges imposed by third parties other than Brokers Financial or the Custodian in connection with investments made through the account, including but not limited to, mutual fund sales loads or commissions (although Brokers Financial will typically only use No-Load or Load Waived Mutual Funds in these accounts), 12(b)-1 fees, internal fund expenses for mutual funds and exchange traded funds, and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. Management fees charged by us are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

## **Termination of Services**

Program services may be canceled at any time, by any of the parties, for any reason upon receipt of written notice to the other party. Clients will receive a pro-rated refund of any fees paid in advance but not fully earned by Brokers Financial and the Advisor. The refund is based on the number of days remaining in the quarter or month after notice of termination is received and must be at least \$75. For accounts not billed in advanced, clients will be billed a final fee that is pro-rated based on the amount of time remaining in the quarter or month.

## **Third-Party Investment Advisers**

Brokers Financial also acts as a solicitor and refers clients to unaffiliated third-party investment advisers offering asset management and other investment advisory services. As a result, we are paid a portion of the fee charged and collected by the third-party investment adviser in the form of solicitor fees or consulting fees and we pay a portion of that fee to your Advisor. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

The actual fee charged for this service will also vary depending on the third-party investment adviser utilized but will generally not exceed 2.65% of your assets under management on an annual basis. The portion retained by Brokers Financial in the form of solicitor fees or consulting fees will not exceed 2.50%. The fee retained by Brokers Financial is negotiable based on factors such as the complexity of services provided and the client's assets under management.

You may incur additional charges including but not limited to, mutual fund sales loads (commissions), 12b-1 fees and surrender charges, and IRA and qualified retirement plan fees. Brokers Financial will not receive any portion of these additional commissions or fees. We are only compensated by the portion of the solicitor/consulting fee described above. We receive no other compensation in connection with a client's account. When we are able to negotiate lower fees and expenses charged by third parties, all negotiated improvements are for the clients' benefit.

Please be aware that your Advisor may have a conflict of interest by only offering those third-party investment advisers that have agreed to pay a portion of their advisory fee to Brokers Financial. It is possible that there may be other third-party managed programs that may be suitable to the client that may be more or less costly. No guarantees can be made that your financial goals and objectives will be

achieved. Further, no guarantees of performance can be offered. All investments involve risk, including the possible loss of principal.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because Brokers Financial **does not charge or accept performance-based fees** which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

#### **Item 7 – Types of Clients**

We offer advisory services to Individuals; High-Net Worth Individuals; Trusts, estates, or charitable organizations; Corporations or business entities.

You will be required to execute an agreement for services in order to establish a client arrangement with us and/or the sponsor of third-party money manager platforms.

#### **Minimum Investment Amounts Required**

There is no minimum to participate in the Edge Program; however, the Edge Program is subject to an administrative fee as described in the Fees and Compensation section. To participate in the FMA Program, the minimum initial investment is generally \$25,000. Brokers Financial reserves the right to close a FMA Program account if its balance falls below a certain level. Brokers Financial also reserves the right to terminate its services if it believes the rendering of its investment advisory services is no longer appropriate for a client.

Third-party managed programs generally have account minimum requirements that will vary from investment adviser to investment adviser.

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

**Brokers Financial uses the following methods of analysis in formulating investment advice.**

Brokers Financial Advisors use various methods of analysis and investment strategies. Methods and strategies will vary based on the Brokers Financial Advisor providing advice. Models and strategies used by one Advisor may be different than strategies used by other Advisors. Some Brokers Financial Advisors may use just one method or strategy while other Advisors may rely on multiple methods or strategies. Brokers Financial does not require or mandate a particular investment strategy be implemented by its Advisors. Further, Brokers Financial has no requirements for using a particular analysis method and our Advisors are provided flexibility (subject to Brokers Financial's supervision and compliance requirements) when developing their investment strategies. The following sections provide brief descriptions of some of the more common methods of analysis and investment strategies that are used by our Advisors.

**Fundamental** - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

**Technical** - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

### **Investment Styles and Strategies**

Brokers Financial utilizes several strategies when managing client accounts. Below may be some of the investment strategies used by Aspire and Retirement Ally Programs:

Long term purchases - Investments held at least a year.

Short term purchases - Investments sold within a year.

Margin transactions - When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm.

Options including buying puts and calls, writing puts and calls, covered and uncovered - Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

Tactical Asset Allocation - Allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are stated minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. A form of market timing is possible, since the investor can move to the higher end of the range when certain asset classes are expected to do better and to the lower end when the current market conditions look unattractive. Certain Tactical Asset Allocation strategies include the ability to use cash up to a defined percentage including 100% as a means for preserving capital during extreme negative market events.

Strategic Asset Allocation - Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a "buy and hold" strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client's goals and needs change and as the time horizon for stated objective grows shorter.

Adaptive Asset Allocation – Certain models may include an adaptive asset allocation as, or as part of, an investment strategy. In general, an adaptive asset allocation is a strategy where the Advisor for Edge Program accounts will try to identify the best times to be fully invested and when to reduce investment exposure. This service is designed to take advantage of capital market fluctuations by being invested based on the anticipated market direction. Clients should be aware that this strategy is considered an aggressive, higher-risk investment strategy.

Modern Portfolio Theory - Proposes that investing in a predetermined asset mix derived from the efficient frontier (dictated to achieve a specific client objective within a certain risk tolerance) and rebalancing with discipline, the portfolio is diversified across the various asset classes to mitigate unnecessary risk. This also provides for a portfolio that can operate without reliance on market timing and security selection; however, as with all equity investments positive returns are not guaranteed. In conjunction to investing in a diversified portfolio, each portfolio is constructed to meet specific parameters set forth in the individual client's investment needs and goals. These parameters can include, but are not limited to, tax efficiency, concentrated stock positions and management history.

### **Use of Primary Method of Analysis or Strategy**

Brokers Financial's primary method of analysis or strategy are Fundamental Analysis and Technical Analysis Some of the risks involved with using this method include listed below.

Brokers Financial's primary strategy involves frequent trading of securities. The frequent trading of securities may have a positive or negative impact on investment performance. Performance from active trading can be lowered due to an increase in brokerage and other transaction costs.

### **Primarily Recommend One Type of Security**

Brokers Financial does not primarily recommend only one type of security.

### **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask any questions you may have.

## **Item 9 – Disciplinary Information**

April 4, 2012 – Regulatory Action Initiated by the Financial Industry Regulatory Authority.

On April 4, 2012 Brokers Financial submitted a Letter of Acceptance, Waiver and Consent (AWC) to the Financial Industry Regulatory Authority (FINRA) for the purpose of settling alleged rule violations. Brokers Financial entered into the AWC without admitting or denying the findings and was censured and fined \$16,000 for failing to make timely filings or making inaccurate filing for reportable events under FINRA and NASD Rules, deficient written supervisory procedures, and allowing an individual to be associated with the Firm who had become disqualified from FINRA registration related to a felony conviction due to a motor vehicle violation.

July 27, 2016 – Regulatory Action Initiated by the Financial Industry Regulatory Authority

On July 27, 2016 Brokers Financial submitted an AWC to FINRA for the purpose of settling alleged rule violations. Brokers Financial entered into the AWC without admitting or denying the findings and was censured and fined \$45,000 for utilizing a form for variable annuity purchases that failed to confirm that customers had been fully informed of the material features and fees of variable annuities prior to recommending that they invest in those products and therefore approved solicited variable annuity purchases without adequate information to make reasonable suitability determinations.

## Item 10 – Other Financial Industry Activities and Affiliations

Brokers Financial is **not** and does **not** have a related company that is a:

- (1) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund),
- (2) other investment adviser or financial planner,
- (3) futures commission merchant, commodity pool operator, or commodity trading advisor,
- (4) banking or thrift institution,
- (5) accountant or accounting firm,
- (6) lawyer or law firm,
- (7) pension consultant,
- (8) real estate broker or dealer, or
- (9) sponsor or syndicator of limited partnerships.

As previously stated in this document, Brokers Financial’ principal business is that of a securities broker-dealer. Brokers Financial spends in excess of 60% of its time on securities brokerage business. Brokers Financial engages primarily in the sales of equities, bonds, mutual funds and variable products.

**Material arrangements with related entities** - in addition to being a dually registered broker-dealer and investment adviser, Brokers Financial is licensed as an insurance agency. Advisors of Brokers Financial will normally have a contract relationship with that agency and solicit Clients to purchase insurance. Products sold by Advisors in their capacity as insurance agents or brokers will generally involve first year commissions significantly higher than those of adviser program fees.

**Participation or Interest in Client Transactions** - in addition to its investment adviser business, Brokers Financial is a registered broker-dealer. Through its broker-dealer representatives Brokers Financial transacts business in a variety of securities products. Most of these products generate compensation in the form of commissions to both the representative and to Brokers Financial.

Brokers Financial is a wholly owned subsidiary of Brokers International, LTD. (“Advisor’s Owner” or “BI”). BI is an insurance agency that wholesales disability insurance, long-term care, life insurance and annuities to third-party insurance agents. BI is not registered as an investment advisor or securities broker-dealer. Brokers Financial Advisors may also be employees of BI and/or may be licensed as insurance agents.

### Third-Party Money Managers

As described in Item 4 – Advisory Business and Item 5 – Fees and Compensation, Brokers Financial has formed relationships with independent, third-party money managers.

Brokers Financial may recommend that clients work directly with third-party money managers. When we refer clients to a third-party money manager, you need to know that we will receive a portion of the fee charged by the third-party money manager. Therefore, we have a conflict of interest in that we will only recommend third-party money managers that will agree to compensate us by paying us a portion of the fees billed to your account managed by the third-party money manager.

## Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

### Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser’s responsibility to provide fair and full disclosure of all material facts. In addition, an investment adviser has a duty of utmost good faith to act solely in the best interest of each of its clients. Brokers Financial and its supervised persons have a fiduciary duty to all clients. Brokers Financial has established a Code of Ethics, which all supervised persons must read and then execute an acknowledgement agreeing that they understand and agree to comply with Brokers Financial Code of Ethics. Brokers Financial and its supervised persons’ fiduciary duty to clients is considered the core

underlying principle for Brokers Financial Code of Ethics and represents the expected basis for all supervised persons' dealings with clients. Brokers Financial has the responsibility to make sure that the interests of clients are placed ahead of it or its associated persons' own investment interests. All supervised persons will conduct business in an honest, ethical and fair manner. All supervised persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All supervised persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the supervised persons' duty of complete loyalty to their clients. This section is only intended to provide current clients and potential clients with a description of Brokers Financial Code of Ethics. If current or prospective clients wish to review Brokers Financial Code of Ethics in its entirety, a copy may be requested from any of Brokers Financial supervised persons and a copy will be provided promptly.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

Brokers Financial is and shall continue to be in compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Brokers Financial and our associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. It is the express policy of Brokers Financial that no associated person of our Firm may purchase or sell any security prior to a transaction being implemented for an advisory account, and therefore, preventing such associated persons from benefiting from transactions placed on behalf of advisory accounts. The Firm monitors this activity by a periodic review of all associated persons Personal Securities Transactions in accordance with our supervisory procedures.

A conflict of interest may arise if the Advisor/associated person and a client own or trade in the same or similar security. The price at which an order is executed can vary significantly and may present a conflict of interest.

SEC regulations and Brokers Financial policies require that the client receive the best price and most favorable execution reasonably possible. In a situation where orders are entered for both the Advisor/associated person and client accounts for substantially the same security, Brokers Financial will execute the Advisor/associated person's order only after the client's order has been executed. Entering an order for the Advisor/associated person's benefit before soliciting orders from clients potentially violates "front-running" standards. Therefore, Brokers Financial reserves the right to prohibit solicited client orders from which an Advisor might directly or indirectly benefit for up to 48 hours after an Advisor's trade is entered.

Brokers Financial Advisors/associated persons have an obligation to submit orders so that the resulting price to the customer is as favorable as possible under prevailing market conditions.

### **Client Referrals and Other Compensation**

In addition to our typical Program arrangements, Brokers Financial may offer its Program under the following arrangements and may receive compensation and/or economic benefit for providing services under the Program:

#### ***Solicitation Arrangements***

Situations may arise in which unaffiliated individuals may solicit clients for Brokers Financial that they deem appropriate. Pursuant to a written referral agreement between Brokers Financial and unaffiliated individuals and other parties (collectively, "Solicitors"), Solicitors agree to refer prospective clients to Brokers Financial to participate in our investment management programs. Where applicable, the agreement will identify the roles and responsibilities of the solicitor, the Advisor and Brokers Financial and the specific amount of the annual advisory fee to be shared with the solicitor. This fee compensates the Solicitor for referring clients to us, assisting in the enrollment of clients for participation in our programs, and facilitating communication between us and clients. The annual advisory fee charged to the client will not be affected if the client was introduced or referred by a solicitor. Through the Solicitors Written Disclosure Document, each client is made aware of the referral agreement prior to or at the time of entering into an advisory contract and acknowledges receipt of a current Brokers Financial Form ADV Part 2A or appropriate Wrap Fee Brochure. The advisory fee will be paid monthly for so long as the client



maintains an Investment Advisory Agreement with Brokers Financial and the solicitor's agreement with Brokers Financial remains in-force. If at any time either agreement is terminated, the advisory fee payments to the solicitor will cease.

## **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of Brokers Financial. If the Firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible.

Brokers Financial Advisors may also be registered representatives of Brokers Financial in our capacity as a securities broker-dealer. Advisory clients may have commission-based Brokers Financial brokerage accounts for which Brokers Financial Advisors will serve as registered representative. Registered representatives of Brokers Financial are required to use the services of Brokers Financial and its approved clearing broker-dealers when acting in their capacity as registered representatives. Brokers Financial serves as the introducing broker-dealer. All accounts established through Brokers Financial as a broker-dealer will be introduced to Pershing, LLC. for transaction execution, transaction clearance and account custodial services.

As a securities broker-dealer Brokers Financial has a wide range of approved securities products for which we have performed due diligence prior to our selection. Our registered representatives are required to adhere to these products when implementing securities transactions through Brokers Financial. Commissions charged for these products may be higher or lower than commissions clients may be able to obtain if transactions were implemented through another broker-dealer.

### **The Custodian and Brokers We Use**

Brokers Financial does not maintain custody of your assets (although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 – Custody, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. For the Edge Program, Advisors may select from three qualified custodians: Pershing, Schwab, and TD Ameritrade. Brokers Financial is independently owned and operated and not affiliated with any of the qualified custodians. The qualified custodians will hold your assets in a brokerage account and buy and sell securities when your Advisor instructs them to.

We require you use either Pershing, Schwab, or TD Ameritrade as the qualified custodian. If you do not wish to place your assets with one of the three qualified custodians, then we cannot manage your account.

### **How We Select Custodians**

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

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- Capability to execute, clear, and settle trades (buy and sell securities for your account);
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.);
- Availability of investment research and tools that assist us in making investment decisions;
- Quality of services;
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- Reputation, financial strength, and stability of the provider;
- Their service level with advisers and clients; and
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us”)

## **Your Custody and Brokerage Costs**

For the Edge Program Schwab and TD Ameritrade generally do not charge you for custody services for the accounts they maintain. The qualified custodians generally are compensated by charging you ticket charges or other fees on trades that it executes or that settle into your account.

Ticket charges or other fees on trades may have been negotiated with the qualified custodians based on our commitment to maintain a certain amount of assets in accounts at the qualified custodian. This commitment can benefit you because the overall charges and fees on trades may be lower than they would have if we had not made the commitment.

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

Schwab Advisor Services™ (formerly Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide our clients and us with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Here is a more detailed description of Schwab's support services:

**Services That Benefit You.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts; and
- Assist with back-office functions, recordkeeping, and client reporting.

**Services That Generally Benefit Only Us.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events;
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

Brokers Financial participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/ ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Brokers Financial receives some benefits from TD Ameritrade through its participation in the Program.

Clients may pay ticket charges higher than those obtainable from other broker-dealers in return for those products and services. Ticket charges and fee structures of various broker-dealers are periodically

reviewed to ensure clients are receiving best execution. Accordingly, while Brokers Financial will consider competitive rates, it may not necessarily obtain the lowest possible rates for client account transactions. Therefore, the overall services provided by the broker-dealer are evaluated to determine best execution.

Clients should consider that only some of the approved trading platforms may accommodate the investment strategy recommended by the client's Advisor and that our Advisors are limited in their ability to obtain the best execution price and lowest execution costs for each transaction or the product with the lowest internal expenses. Therefore, clients may pay higher trade execution charges through the trading platforms approved by Brokers Financial than through platforms that have not been approved by Brokers Financial as trading platforms for investment advisory accounts.

Not all investment advisers restrict or limit the broker-dealers their clients can use. Some investment advisers permit their clients to select any broker-dealer of the client's own choosing.

### **Handling of Trade Errors**

Brokers Financial has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Brokers Financial to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by Brokers Financial if the error was caused by the Firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. Brokers Financial may also confer with clients to determine if the client should forego the gain (e.g., due to tax reasons).

For trade errors occurring in Brokers Financial/Pershing accounts, Brokers Financial may retain gains resulting from correcting a trade error that are not retained by the client and in some instances, may use such gains to offset overall losses Brokers Financial incurs from trading errors.

For trade errors occurring in TD Ameritrade accounts, TD Ameritrade may maintain gains resulting from correcting a trade error that are not retained by the client and in some instances, may use such gains to offset overall losses Brokers Financial incurs from trading errors.

### **Block Trading Policy**

Transactions implemented by Brokers Financial for client accounts are generally affected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by Brokers Financial when we believe such action may prove advantageous to clients. When Brokers Financial aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the Firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When Brokers Financial determines to aggregate client orders for the purchase or sale of securities, including securities in which Brokers Financial may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, Brokers Financial does not receive any additional compensation or remuneration as a result of aggregation.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Brokers Financial requires at least annual contact between Advisors and their asset management clients. The purpose of the contact is to discuss changes in client's financial status, investment policy statement, investment objectives, and trading strategy to ensure the advisory program they are invested in continues to be an appropriate investment advisory services option. Review of the trading activity and addressing any question the client(s) may have should be part of this review.

Additional reviews may be caused by a change in client circumstances or client request. Securities held in accounts managed by Brokers Financial are monitored periodically. The client's Advisor is responsible for reviewing accounts on behalf of Brokers Financial.

Financial planning services terminate upon presentation of the written plan. Therefore, no reviews are conducted for these accounts. If clients elect to have a review and update to an original financial plan, additional fees may be charged and clients may be required to sign a new client agreement.

### **Statements and Reports**

Clients will receive statements at least quarterly from the custodian at which their accounts are maintained. Clients receiving the Financial Planning Service will receive a written financial plan no later than 6 months after signing a Financial Planning Services Agreement.

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

Brokers Financial receives fees for referring clients that open accounts with unaffiliated investment adviser firms. The amount of fees will increase as the amount of assets referred to the unaffiliated investment adviser firms increases. The exact services offered and the arrangement with Brokers Financial will vary depending on the unaffiliated investment adviser. Clients will be provided a copy of the unaffiliated investment adviser firm's solicitor disclosure statement and Form ADV Part 2, or similar disclosure brochure, which will disclose the specific details of the referral arrangement and the fees that will be paid.

Our Custodians offer NTF (no-transaction fee) mutual funds which allows Brokers Financial and the Advisor to select funds that trade without a transaction fee. The use of NTF mutual funds causes a conflict of interest as it incentivizes Brokers Financial and the Advisor to use NTF mutual funds over other funds as it reduces the trading costs for Brokers Financial and the Advisor. Brokers Financial does not receive trail commissions also known as 12b-1 fees from the mutual fund companies based on advisory assets under management. For Edge Program accounts held through Pershing, these 12b-1 fees are credited back to your account. For Edge Program accounts held through TD Ameritrade or Schwab, 12b-1 fees are paid to and kept by TD Ameritrade and Schwab. TD Ameritrade and Schwab utilize these fees to help offset the trading costs in the account.

Generally, mutual fund companies offer multiple share classes of the same mutual fund. Some share classes of a fund charge a higher internal expense, including but not limited to 12b-1 fees, whereas other share classes of the same fund charge a lower internal expense, with or without 12b-1 fees. Institutional and investment advisory share classes typically have lower expense ratios, do not charge 12b-1 fees, and are less costly for a client to hold than Class A shares or other share classes that are eligible to purchase in an investment advisory account. Mutual funds that offer institutional share classes, investment advisory share classes, and other share classes with lower expense ratios are available to clients who meet specific eligibility requirements that are described in the mutual fund's prospectus or in its statement of additional information. These eligibility requirements include, but may not be limited to, investments meeting certain minimum dollar amount thresholds and accounts that the fund considers qualified, fee-based programs.

The lowest-cost mutual fund share class for a particular fund may not be offered through Brokers Financial or made available by Brokers Financial for purchase within specific types of investment advisory program accounts. Brokers Financial, through its Advisors, may recommend, select, or continue to hold a

mutual fund share class that charges clients higher internal expenses than other available share classes for the same fund. Clients should never assume that they will be invested in the share class with the lowest possible expense ratio or cost. Brokers Financial urges clients to discuss with their Advisor whether a lower-cost share class is available for their particular account, and why the particular fund(s) or other investments that will be purchased or held in their account are appropriate for them considering their expected holding period, investment objective, risk tolerance, time horizon, financial condition, amount invested, trading frequency, and the amount of the advisory fee charged. Clients should also ask their Advisor whether the client will pay transaction charges for fund purchases and sales, whether the client will pay higher internal fund expenses in lieu of transaction charges that could adversely affect long-term performance, and the relevant tax considerations of the mutual fund share class(es) or investment(s) selected for the client's account.

A client could invest in a mutual fund directly, without Brokers Financial investment advisory services, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and Brokers Financial investment advisory fees to fully compare and understand the total amount of fees to be paid by the client and, therefore, evaluate the advisory services being provided. We receive payments from our business partner firms, clearing firms and product vendors, which provides a financial incentive to continue to encourage investors to open accounts and invest with these business partner firms.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability of Schwab's products and services to us is not based on our giving particular investment advice, such as buying particular securities for our clients.

While there will not be a direct linkage between the investment advice provided by Brokers Financial and TD Ameritrade, economic benefits may be received that would not be received if Brokers Financial did not participate in TD Ameritrade's institutional customer program and use these services to implement the investment advice provided. These benefits may include, but not necessarily be limited to (provided without cost or at a discount): receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; receipt of compliance publications; marketing; research; technology; practice management products or services provided by third party vendors; and access to mutual funds that generally require significantly higher minimum initial investments or are generally only available to institutional investors. The receipt of these benefits is not dependent upon the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Brokers Financial endeavors at all times to put the interest of its clients first. Clients should be aware, however, that the receipt of economic benefits by Brokers Financial or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Brokers Financial's choice of TD Ameritrade for custody and brokerage services. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

Brokers Financial also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent Investment Advisers participating in the program. Specifically, the Additional Services include consolidated account reporting from Albridge Wealth Reporting and Gentech's Nexus system. TD Ameritrade provides the Additional Services to Brokers Financial in its sole discretion and at its own expense, and Brokers Financial does not pay any fees to TD Ameritrade for the Additional Services. Brokers Financial and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Brokers Financial's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Brokers Financial, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Brokers Financial's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with Brokers Financial, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, Brokers Financial may have an incentive to recommend to its clients that the assets under management by Brokers Financial be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Brokers Financial's receipt of Additional Services does not diminish its duty to act in the best interest of its clients, including to seek best execution of trades for client accounts.

You should be aware that the receipt of commissions and additional incentive compensation itself creates a conflict of interest and may affect the independent judgment of your Advisor when making recommendations about annuities and insurance products in general or a particular annuity or insurance product offered by a certain insurance company or through an IMO.

Brokers Financial, in its capacity as an insurance agency, has entered into a referral arrangement with American Trust & Savings Bank, whereby Advisors acting in their separate capacities as insurance agents may refer clients to American Trust & Savings Bank's 401(k) retirement plan platform. When a client establishes an account through the 401(k) platform, American Trust & Savings Bank will pay Brokers Financial in its capacity as an insurance agency, a portion of the on-going percentage-based fee charged to the client by American Trust & Savings Bank. Therefore, a conflict of interest exists between Brokers Financial and its clients when recommending the 401(k) plan services of American Trust & Savings Bank over other 401(k) services. Clients are not obligated to use the services of American Trust & Savings Bank.

### **Solicitation Arrangements**

Situations may arise in which unaffiliated individuals may solicit clients for Brokers Financial that they deem appropriate. Pursuant to a written referral agreement between Brokers Financial and unaffiliated individuals and other parties (collectively "Solicitors"), Solicitors agree to refer prospective clients to Brokers Financial to participate in our investment management programs. Where applicable, the agreement will identify the roles and responsibilities of the solicitor, the Advisor and Brokers Financial and the specific amount of the annual advisory fee to be shared with the solicitor. This fee compensates the Solicitor for referring clients to us, assisting in the enrollment of clients for participation in our programs, and facilitating communication between us and clients. The annual advisory fee charged to the client will not be affected if the client was introduced or referred by a solicitor. Through the Solicitors Written Disclosure Document, each client is made aware of the referral agreement prior to or at the time of entering into an advisory contract and acknowledges receipt of a current Brokers Financial Form ADV Part 2A or appropriate Wrap Fee Brochure. The advisory fee will be paid monthly for so long as the client maintains an Investment Advisory Agreement with Brokers Financial and the solicitor's agreement with Brokers Financial remains in-force. If at any time either agreement is terminated, the advisory fee payments to the solicitor will cease.

The only other forms of other compensation received from advisory services are the fees charged for providing investment advisory services as described in Item 5 of this brochure. Brokers Financial receives no other forms of compensation in connection with providing investment advice.

### **Item 15 – Custody**

Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct the qualified Custodians to deduct our advisory fees directly from your account. This is the only form of custody Brokers Financial has. Please note that authorization to trade in a client's account is not deemed by regulators to be custody. The qualified custodians maintain actual custody of your assets. You will receive account statements directly from the qualified custodians at least quarterly. They will be sent to the email or postal mailing address you provided to the qualified custodians. You should carefully review those statements promptly when you receive them.

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

#### **Item 16 – Investment Discretion**

As a part of our Investment Advisory Agreement, accounts are considered discretionary accounts which means we or your Advisor has the authority to buy or sell securities without obtaining your approval prior to each transaction. Your Advisor must meet our qualifications before they can exercise discretion over your account. Your Advisor is required to tell you if they are using discretion on your account.

You can place reasonable restrictions on the types of investments that are purchased in your Edge Program account. You may also place reasonable limitations on the discretionary power granted to your Advisor if the restrictions and limitations are specifically set forth in writing or included as an attachment to the appropriate client agreement. Please note that any restriction or limitation you impose could affect the performance of your account. Discretionary authority remains in place until you or we terminate the relationship. You may also designate your account as nondiscretionary which means that you make the ultimate decision regarding the purchase or sale of investments.

#### **Item 17 – Voting Client Securities**

Brokers Financial will not vote proxies on behalf of your account. Therefore, it is your responsibility to vote all proxies for securities held in your accounts managed by our Firm.

You will receive proxies directly from your account custodian or investment transfer agent and these documents will not be delivered by our Firm. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us.

#### **Item 18 – Financial Information**

Brokers Financial does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year.

Finally, Brokers Financial has not been the subject of a bankruptcy petition at any time.