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**March 21, 2023**

**FORM ADV PART 2A  
BROCHURE**

*This brochure provides information about the qualifications and business practices of Prism Financial Group, L.L.C. If you have any questions about the contents of this brochure, please contact us at (913) 345-1444 or by email at: [info@PrismFG.com](mailto:info@PrismFG.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. Registration does not imply a certain level of skill or training.*

*Additional information about Prism Financial Group, L.L.C. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Prism Financial Group, L.L.C.'s CRD number is: 112315.*

## **Item 2 Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment, dated 3/29/2022, there were no material changes to our Form ADV.

### 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
Item 5 Fees and Compensation .....	7
Item 6 Performance-Based Fees and Side-By-Side Management .....	11
Item 7 Types of Clients .....	11
Item 8 Methods of Analysis, Investment Strategies and Risk of Investment Loss.....	12
Item 9 Disciplinary Information .....	19
Item 10 Other Financial Industry Activities and Affiliations .....	19
Item 11 Code of Ethics, Participation in Transactions, Personal Trading.....	19
Item 12 Brokerage Practices.....	20
Item 13 Account Review .....	23
Item 14 Client Referrals and Other Compensation .....	24
Item 15 Custody.....	25
Item 16 Investment Discretion.....	26
Item 17 Voting Client Securities (Proxy Voting).....	26
Item 18 Financial Information .....	26
Item 19 Additional Information .....	27

## **Item 4 Advisory Business**

### **A. Description of the Advisory Firm**

Prism Financial Group, L.L.C. is a registered investment adviser based in Overland Park, Kansas. We are organized as a limited liability company ("LLC") under the laws of the State of Kansas. We have been providing investment advisory services since 04/28/1999. We are owned by Tim Shmidl and MH Capital, LLC.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to Prism Financial Group, L.L.C. and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

### **B. Types of Advisory Services**

Prism Financial Group, L.L.C. (hereinafter "Prism") offers the following services to advisory clients:

#### **Investment Management and Supervision Services**

Prism offers discretionary investment management and investment supervisory services for a fee based on a percentage of your assets under management. These services include investment analysis, allocation of investments, quarterly portfolio statements and ongoing monitoring services for the portfolio.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and the appropriate trading authorization forms.

We may also offer non-discretionary portfolio management services. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

As part of our portfolio management services, in addition to other types of investments (see disclosures below in this section), we may invest your assets according to one or more model portfolios developed by our firm. These models are designed for investors with varying degrees of risk tolerance ranging from a more aggressive investment strategy to a more conservative investment approach. Clients whose assets are invested in model portfolios may not set restrictions on the specific holdings or allocations within the model, nor the types of securities that can be purchased in the model.

We determine your portfolio composition based on your needs, financial goals and risk tolerances. We will work with you to obtain necessary information regarding your financial condition, investment objectives, liquidity requirements, risk tolerance, and time horizon. This enables us to determine the portfolio best suited for your investment objectives and needs.

In performing our services, we shall not be required to verify any information received from you or from other professionals. If you request, we may recommend and/or engage the services of other professionals for implementation purposes. You are under no obligation to engage the services of any such recommended professional.

Once we have determined the types of investments to be included in your portfolio, and allocated them, we will provide ongoing portfolio review and management services. This approach requires us to review your portfolio at least quarterly.

We will rebalance the portfolio, as we deem appropriate, to meet your financial objectives. We will trade these portfolios and rebalance them on a discretionary basis. Our advisory services are tailored to meet your individual needs.

In providing account management services, we do not accept client restrictions on the specific securities or the types of securities that may be held in your account.

In all cases, you have a direct and beneficial interest in your securities, rather than an undivided interest in a pool of securities. We do not and will not have physical custody of your funds or securities. We do have limited authority to direct the Custodian to deduct investment advisory fees, but only with the appropriate authorization from you.

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that may adversely affect an account's performance. This could result in capital losses in your account.

## **Financial Planning**

Prism provides financial planning services in two different formats. Comprehensive Financial Planning provides for an intensive interview to determine the client's personal financial objectives and an in-depth examination and analysis of the client's financial documents and situation. The client will receive a written analysis and a plan of recommended action. The other format is Focused Planning in which Prism provides specific services on an hourly basis at standard rates which are defined in an agreement with the client. A specific financial planning contract needs to be signed for either of these services to be offered.

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; education planning; and debt/credit planning. These services are based on fixed fees or hourly fees and the final fee structure is documented in Section F of the Financial Planning Agreement.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

## **Qualified Retirement Plan Consulting Services**

Qualified Retirement Plan Consulting Services consist of assisting employer plan sponsors establish, monitor and review their company's retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment selection and monitoring, plan structure, and participant education.

We will establish your plan's needs and objectives through an initial meeting to collect data, review

plan information, and assist you in developing or updating the plan's provisions. Ongoing services to you may include recommendations regarding the selection and review of unaffiliated mutual funds that, in our judgment, are suitable for plan assets for you to be invested. We periodically review the investment options you select and make recommendations to keep or replace plan investment options as appropriate. We perform a comprehensive review of potential service providers or vendors and will assist you with converting from your incumbent service provider to a new service provider selected by you. You are under no obligation to follow the recommendations we make.

Services available under a Qualified Retirement Plan Consulting Agreement permit us to provide financial education to your plan participants. The scope of education provided to participants at your request will not constitute "investment advice" within the meaning of ERISA and participant education will relate to general principles for investing and information about the investment options currently in the plan. We may also participate in initial enrollment meetings, periodic employee workshops and enrollment meetings for new participants as we agree upon.

We may also assist with participant enrollment meetings and provide investment-related educational seminars to plan participants on such topics as:

- Diversification
- Asset allocation
- Risk tolerance
- Time horizon

Our educational seminars may include other investment-related topics specific to the particular plan.

We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents.

All Qualified Retirement Plan Advisory Services shall be in compliance with any applicable Federal and State law(s) regulating the services provided by our Agreement. This section applies to an Account that is a pension or other employee benefit plan (a "Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If your Account is part of a Plan and we accept appointments to provide our services to your Account, we acknowledge that we are a fiduciary within the meaning of Title 1 of ERISA and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. You represent that (i) Our appointment and services are consistent with the Plan documents, (ii) You have furnished us true and complete copies of all documents establishing and governing the Plan and evidencing your authority to retain our firm. You further represent that you will promptly furnish us with any amendments to the Plan, and you agree that, if any amendment affects our rights or obligations, such amendment will be binding on us only with our prior written consent. If your Account contains only a part of the assets of the Plan, you understand that we will have no responsibilities for the diversification of the Plan's investments, and we have no duty, responsibility or liability for the assets that are not in the account. If ERISA or other applicable law requires bonding with respect to the assets in your account, you will obtain and maintain at your expense bonding that satisfies this requirement and covers Prism and any of our affiliates.

Either party to the pension consulting agreement may terminate the agreement upon written notice to the other party in accordance with the terms of the agreement for services. The pension consulting fees will be prorated for the quarter in which the termination notice is given and any unearned fees will be refunded to the client.

## C. Client Tailored Services and Client Imposed Restrictions

Prism offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client's individual situation (income, tax levels, risk tolerance levels, and financial goals) and are used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

In providing account management services, we do not accept client restrictions on the specific securities or the types of securities that may be held in your account.

## D. Wrap Fee Programs

Prism does not participate in any wrap fee programs.

## E. Assets Under Management

Prism provides continuous management services and has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$1,100,491,253	\$152,350,625	1/31/2022

Prism also manages \$4,395,434 in client assets on a non-continuous basis.

## Item 5 Fees and Compensation

### A. Fee Schedule

#### Investment Management Services Fees and Compensation

Prism's fee for investment management services is based on a percentage of the assets in your account and is set forth in the following annual fee schedule:

<b>Total Assets Under Management</b>	<b>Annual Fee</b>
First \$500,000	1.20%
Next \$500,000	0.90%
Next \$2,000,000	0.80%
Next \$2,000,000	0.70%
Next \$5,000,000	0.60%
Next \$10,000,000 and Above	0.50%

Prism charges a fee as compensation for providing Investment Management services on your account. These services include advisory and consulting services, trade entry, investment supervision, and other account maintenance activities. We do not charge fees for completing transactions within your account. However, the custodian may charge custodial fees, transaction costs, redemption fees,

retirement plan and administrative fees or commissions. See Additional Fees and Expenses below.

Furthermore, some existing variable annuities may be subject to mortality and administrative expense fees. These fees are independent of our fees and should be disclosed by the custodian or contained in each fund's prospectus. You should also note that fees for comparable services vary and lower fees for comparable services may be available from other sources.

The fees for accounts are based on an annual percentage of assets under management. The fees are applied to the account asset value on a prorated basis, billed quarterly in arrears. The initial fee will be based upon the date the account is accepted for management by execution of the investment advisory contract by Prism and the assets are transferred through the last day of the current calendar quarter. The management fee is based on the size of the account at the end of each calendar quarter.

The fee is charged quarterly and is calculated on the market value of the account on the last day of the calendar quarter and will cover the period from the first day of the calendar quarter through the last day of the calendar quarter. The market value will be determined as reported by the Custodian. Fees are assessed on all assets under management, including securities, cash and money market balances (unless otherwise specified in the agreement).

Our investment advisory fees shall not exceed 1.20%. The specific advisory fees are set forth in your Investment Management Services Agreement. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fees may be negotiated.

At our discretion, we may add (aggregate) asset amounts in accounts from your same household together to determine the advisory fee for all your accounts. We may do this, for example, where we also service accounts on behalf of your minor children, individual and joint accounts for a spouse, and/or other types of related accounts. This consolidation practice is designed to allow you the benefit of an increased asset total, which could potentially cause your accounts to be assessed a reduced advisory fee based on the asset levels available in our fee schedule. You authorize us to debit your account quarterly for our fee. The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us.

Our agreement provides written authorization permitting the fees to be paid directly from your account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you indicating all the amounts deducted from the account including our advisory fees. You are encouraged to review your account statements for accuracy. We will receive a duplicate copy of the custodian's statement that was delivered to you.

Either Prism or you may terminate the management agreement, upon 30 day written notice to the other party. The management fee will be pro-rated to the date of termination, for the quarter in which the cancellation notice was given, and any earned fees will be charged for the time the agreement was in force. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets.

## **Financial Planning Services**

### **Fixed Fees**

Prism charges a fixed fee for financial planning services, which generally ranges between \$1,500 - \$10,000. The fee is negotiable depending upon the complexity and scope of the plan, your financial situation, and your objectives. Fees are paid in arrears upon completion. Because fees are charged in



arrears, no refund policy is necessary. The final fee schedule is attached in the Financial Planning Agreement.

Either Prism or you may terminate the financial planning agreement at any time by written notice. The financial planning agreement terminates upon failure of the Client to pay agreed upon fee. Additionally, any pro-rated earned fees will be charged through the termination date.

### **Hourly Fees**

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$150 and \$250. The fees are negotiable and the final fee schedule is attached in the Financial Planning Agreement. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate their agreements without penalty within 5 business days of signing the Financial Planning Agreement.

An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee.

We also offer advice on single subject financial planning/general consulting services at the same hourly rate.

We will not require prepayment of a fee more than six months in advance and in excess of \$1,200.

### **Qualified Retirement Plan Consulting Fees**

Prism's Qualified Retirement Plan Consulting services fee is based on a percentage of the assets in your account and is set forth in the following annual fee schedule:

<b>Annual Percentage</b>	<b>Plan Value</b>
0.80% on the first \$500,000	\$0 to \$500,000
0.60% on the next \$500,000	\$500,001 to \$1,000,000
0.40% on the next \$1,000,000	\$1,000,001 to \$2,000,000
0.30% on the next \$3,000,000	\$2,000,001 to \$5,000,000
0.20% on the next \$5,000,000	\$5,000,001 to \$10,000,000
0.15% on the next \$10,000,000	\$10,000,001 to \$20,000,000
0.10% on the next \$10,000,000	\$20,000,001 to \$30,000,000
0.08% on the next \$10,000,000	\$30,000,001 to \$40,000,000
0.05% on all additional assets	\$40,000,001 plus

### **Flat Percentage**

Certain retirement plan Custodians do not accommodate tiered commission schedules. Therefore, in these instances a flat percentage is used. The fee percentage will not exceed .8% annually. The fee is negotiable and the final fee percentage is included on the Qualified Retirement Plan Consulting Agreement. The fee for qualified retirement plans is calculated and billed in arrears at the end of each quarter.

While fees are negotiable under certain circumstances, Prism generally adheres to the fee schedule above, has a minimum qualified retirement plan account size of \$1,000,000, and a minimum annual fee of \$5,000. However, at its sole discretion, Prism may accept qualified plan accounts less than

\$1,000,000. The consulting fee for qualified retirement plans is calculated and billed in arrears at the end of each quarter.

A qualified retirement plan client will have a period of five business days from the date of signing an investment advisory agreement to unconditionally rescind the agreement. Thereafter, either party may terminate the investment advisory agreement with 30 day written notice. Upon termination, fees will be pro-rated to the date of termination and Prism will issue an invoice to the client for the amount of fees due for services provided through the effective date of termination.

## **B. Payment of Fees**

### **Payment of Investment Management Services Fees**

Management fees are withdrawn directly from the client's accounts through the qualified custodian holding your funds and securities with client written authorization. Fees are paid quarterly in arrears, based on the balance at end of billing period. Because fees are charged in arrears, no refund policy is necessary.

### **Payment of Financial Planning Fees**

Hourly Financial Planning fees are paid via check in arrears upon completion. Because fees are charged in arrears, no refund policy is necessary.

Fixed Financial Planning fees are paid via check in arrears upon completion. Because fees are charged in arrears, no refund policy is necessary.

### **Payment of Qualified Retirement Plan Consulting Fees**

Qualified Retirement Plan fees are paid from credits generated by mutual fund assets or participant accounts in a pro-rata fashion. Employer plan sponsors may also pay the fee on a quarterly basis in arrears. Fees are paid quarterly in arrears, based on the balance at end of billing period. Because fees are charged in arrears, no refund policy is necessary.

## **C. Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed.

The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your account(s) under our management:

- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds ("MF") and Exchange Traded Funds;

- 12b-1 fees;
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Deferred sales charges (on MF or annuities);
- Odd-Lot differentials;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions;

We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. Please refer to the "Brokerage Practices" section below for discussion of the custodian's brokerage practices.

#### **D. Prepayment of Fees**

Prism collects its fees in arrears. It does not collect fees in advance.

#### **E. Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of Prism are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

##### **1. Clients Have the Option to Purchase Recommended Products From Other Brokers**

Clients always have the option to purchase Prism recommended products through other brokers or agents that are not affiliated with Prism.

##### **2. Advisory Fees in Addition to Commissions or Markups**

Advisory fees that are charged to clients are not reduced to offset the commissions or markups on securities or investment products recommended to clients.

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

Prism does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

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

- Individuals
- High-Net-Worth Individuals
- Pension and Profit Sharing Plans
- Trusts, Estates, or Charitable Organizations
- Corporations or Business Entities

### Minimum Account Size

There is an account minimum, \$500,000, which may be waived by the investment adviser, based on the needs of the client and the complexity of the situation.

We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

### Qualified Retirement Plan Consulting Services

In general, we require a minimum of \$1,000,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management.

We charge a minimum fee in the amount of \$5,000 to open and maintain an advisory account. At our discretion we may waive the minimum fee.

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

### A. Methods of Analysis and Investment Strategies

The method of analysis we utilize may include charting, fundamental analysis, technical analysis, and cyclical analysis. We gather our information for investment purposes from financial newspapers, magazines, research prepared by others, corporate rating services, company press releases, annual reports, prospectuses and filings with the Securities and Exchange Commission.

Other sources of information that Prism may use include Morningstar mutual fund research analysis, CFRA stock research, and Schwab security research.

Prism uses industry standard techniques to manage our portfolios. Prism uses Fundamental Analysis, Modern Portfolio Theory and Technical Analysis. We also use the following types of tactics: long-term buys and short-term buys.

**Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

**Risk:** The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Modern Portfolio Theory** - a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.

**Risk:** Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.

**Technical Analysis** - involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

**Risk:** The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Long-Term Purchases** - Securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

**Short-Term Purchases** - Securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

**Risk:** Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Prism's investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

Prism uses 7 basic investment models based upon the client's risk tolerance. Within all of these models, stocks, bonds, exchange-traded funds ("ETFs"), mutual funds and money markets are the primary investment vehicles. Those models are as follows:

**Ultra Conservative - For investors who are risk averse** - Primary focus is on preservation of principal. Investors using this model may experience negative returns in some years. This portfolio will be invested exclusively in fixed income and cash type investments.

**Conservative Income (Conservative) - For investors who are predominately risk averse** - Primary focus is on portfolio stability and preservation of capital. Investors using this model should be willing to achieve investment returns (adjusted for inflation) that are low or, in some years, negative, in exchange for reduced risk of principal loss and a high level of liquidity. A typical portfolio will be heavily weighted toward cash and fixed income investments.

**Income (Moderately Conservative) - For investors who are somewhat risk averse** - Primary focus is to achieve a modest level of portfolio appreciation with minimal principal loss and volatility. Investors using this model should be willing to absorb some level of volatility and principal loss. A typical portfolio will include primarily cash and fixed income investments with a modest allocation to equities.

**Conservative Growth (Moderate) - For investors who are willing to take a moderate amount of risk** - Primary focus is to strike a balance between portfolio stability and portfolio appreciation. Investors using this model should be willing to assume a moderate level of volatility and risk of principal loss. A typical portfolio will primarily include a balance of fixed income and equities.

**Growth (Moderate Aggressive) - For investors willing to take a higher level of risk** - Primary focus is on achieving portfolio appreciation over time. Investors using this model should be willing to assume high levels of portfolio volatility and risk of principal loss. A typical portfolio will have exposure to various asset classes, but will be primarily weighted toward equities.

**Aggressive Growth (Aggressive) - For investors willing to take substantial risk** - Primary emphasis is on achieving above-average portfolio appreciation over time. Investors using this model should be willing to assume a significant level of portfolio volatility and risk of principal loss. This portfolio will typically be fully invested in a diversified group of equities or other higher risk asset classes.

**Ultra Aggressive (Equity Only) -**

**For investors willing to take an extremely aggressive approach to investing** - Primary emphasis is on investing 100% in the stock markets, both inside and outside the United States. This portfolio is the most volatile and contains risk of significant principal loss.

## **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Moreover, custodians and broker-dealers must report the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your individual securities and to the average cost method for mutual funds. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting

methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **B. Material Risks Involved**

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 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 Prism.

You should be aware that your account is subject to the following risks:

- **Stock Market Risk** - The value of securities in the portfolio will fluctuate and, as a result, the value may decline suddenly or over a sustained period of time.
- **Managed Portfolio Risk** - The manager's investment strategies or choice of specific securities may be unsuccessful and may cause the portfolio to incur losses.
- **Industry Risk** - The portfolio's investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact your portfolio. Investments focused in a particular industry are subject to greater risk and are more greatly impacted by market volatility than less concentrated investments.
- **Non-U.S. Securities Risk** - Non-U.S. securities are subject to the risks of foreign currency fluctuations, generally higher volatility and lower liquidity than U.S. securities, less developed securities markets and economic systems and political and economic instability.
- **Emerging Markets Risk** - To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- **Currency Risk** - The value of your portfolio's investments may fall as a result of changes in exchange rates.
- **Interest Rate Risk** - The value of fixed income securities rises or falls based on the underlying interest rate environment. If rates rise, the value of most fixed income securities could go down.
- **Credit Risk** - Most fixed income instruments are dependent on the underlying credit of the issuer. If we are wrong about the underlying financial strength of an issuer, we may purchase securities where the issuer is unable to meet its obligations. If this happens, your portfolio could sustain an unrealized or realized loss.
- **Inflation Risk** - Most fixed income instruments will sustain losses if inflation increases or the

market anticipates increases in inflation. If we enter a period of moderate or heavy inflation, the value of your fixed income securities could go down.

- **Exchange Traded Fund ("ETF") and Mutual Fund ("MF") Risk** - Mutual funds and exchange traded funds ("ETFs") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.
- ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.
- **Management Risk** - Your investment with us varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- **Options Risk** - Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

### **C. Recommendation of Particular Types of Securities**

We primarily recommend Mutual Funds and ETFs. However, we may advise on other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment.

- **Money Market Funds** - A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the



share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

- **Certificates of Deposit** - Certificates of deposit are generally the safest type of investment since they are insured by the federal government up to a certain amount. However, because the returns are generally very low, it is possible for inflation to outpace the return. Likewise, U.S. government securities are backed by the full faith and credit of the U.S. government but it is also possible for the rate of inflation to exceed the returns.
- **Municipal Securities** - Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.
- **Bonds** - Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.
- **Stocks** - There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.
- **Variable Annuities** - A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point, the contract will terminate and the remainder of the funds accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual

funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds and mutual funds do. Some variable annuities offer "bonus credits." These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges), the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.

- Real Estate - Real estate is increasingly being used as part of a long-term core strategy due to increased market efficiency and increasing concerns about the future long-term variability of stock and bond returns. In fact, real estate is known for its ability to serve as a portfolio diversifier and inflation hedge. However, the asset class still bears a considerable amount of market risk. Real estate has shown itself to be very cyclical, somewhat mirroring the ups and downs of the overall economy. In addition to employment and demographic changes, real estate is also influenced by changes in interest rates and the credit markets, which affect the demand and supply of capital and thus real estate values. Along with changes in market fundamentals, investors wishing to add real estate as part of their core investment portfolios need to look for property concentrations by area or by property type. Because property returns are directly affected by local market basics, real estate portfolios that are too heavily concentrated in one area or property type can lose their risk mitigation attributes and bear additional risk by being too influenced by local or sector market changes.
- Real Estate Investment Trust - A real estate investment trust ("REIT") is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs must refinance or erase large balloon debts periodically. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends.
- Limited Partnerships - A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner does not usually invest any capital, but has management authority and unlimited liability. That is, the general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and confine their participation to their capital investment. That is, limited partners invest a certain amount of money and have nothing else to do with the business. However, their liability is limited to the

amount of the investment. In the worst-case scenario for a limited partner, he/she loses what he/she invested. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership.

## **Item 9 Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

None of the Prism employees are registered representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Prism nor its representatives are registered as a FCM, CPO, or CTA.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Associated Persons of Prism may be licensed insurance agents. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. Prism always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of Prism in their capacity as an insurance agent.

MH Capital, LLC ("MH") owns 49% of Prism. MH is comprised of certain shareholders of the accounting firm, Mize CPAs Inc. (Mize). Members of MH and Mize have a conflict of interest as they have the ability to refer clients in need of financial planning and investment advice to Prism. Specifically, they stand to gain from the increased business that results from Mize clients referred to Prism as they are compensated as owners of Prism through MH.

### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

Prism does not utilize nor select other advisors or third-party managers. All assets are managed by Prism management.

## **Item 11 Code of Ethics, Participation in Transactions, Personal Trading**

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Principles of Conduct, Compliance with Laws and Regulations, Protection of Material Nonpublic Information, Personal Securities Trading, Restricted Trading, Initial Public Offerings and Private Placements, Gifts and Entertainment, Reporting of Code Violations and Annual Receipt and Review of the Code.

Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

To receive a complete copy of the Code of Ethics, you may contact us at the address or the phone number on the cover page of this brochure.

## **B. Recommendations Involving Material Financial Interests**

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

## **C. Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

See above.

# **Item 12 Brokerage Practices**

## **A. Factors Used to Select Custodians and/or Broker/Dealers**

We recommend the brokerage and custodial services of Charles Schwab & Co., Inc. ("Schwab" or "Custodian"). We are independently owned and operated and not affiliated with Schwab. Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In recognition of the value of the services the Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. If you do not wish to place your assets with Schwab, then we cannot manage your account. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services.
- The likelihood that your trades will be executed.
- Breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)

- Availability of investment research and tools.
- Overall quality of services.
- Competitiveness of price.
- Reputation, financial strength, and stability.
- Existing relationship with our firm and our other clients.

We also recommend the use of American Funds as custodian for particular retirement plans and Nationwide Advisory as custodian for variable annuities. We also maintain relationships with other custodians. While you are free to choose any service provider as your custodian, we recommend that you establish an account with a custodian with which we have an existing relationship.

Additionally, we use the custodial/trustee services of College America for 529 Plans. While we recommend that you use College America as custodian, you will decide whether to do so and open your account with College America by entering into an account agreement directly with them. We do not open the account for you. We do not act as custodian for your account or take or have possession of any funds or securities in your account. We shall instruct all custodians or other entities, executing orders on behalf of your account to forward copies of notices of all transactions promptly after execution to you and our Firm, unless you instruct otherwise. If you do not wish to place your assets with College America for 529 Plans, then we cannot manage your account. Not all advisors require their clients to use a particular custodian selected by the advisor.

## **1. Research and Other Soft-Dollar Benefits**

Prism receives no research, product, or service other than execution from a broker- dealer or third-party in connection with client securities transactions ("soft dollar benefits").

### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

Additionally, Litman Gregory Analytics, an affiliate company of Litman Gregory Asset Management, is the publisher of AdvisorIntelligence, a research service for investment professionals, and may provide discounts on its subscription fees to subscribers who have assets in the Litman Gregory Masters Funds and/or various third-party turn-key asset management platforms through which their investment strategies are offered. Prism recommends and utilizes these services for its clients and as a subscriber to AdvisorIntelligence receives discounts on the subscription fees. These discounts are provided at the discretion of Litman Gregory Analytics and may be changed at the discretion of Litman Gregory Analytics without advance notice to the Subscriber. We use such products and services in our general investment decision making. You should be aware that the receipt of such economic benefits by our firm is considered to create a conflict of interest.

## **2. Brokerage for Client Referrals**

Prism receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### **Directed Brokerage**

We routinely require that you direct our firm to execute transactions through Charles Schwab & Co., Inc. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

### **Aggregate Trading**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading") because we invest solely in Mutual Funds which do not trade in blocks.

### **Schwab - Your Custody and Brokerage Costs**

For our clients' accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates and/or asset-based fees applicable to our client accounts were negotiated based on our commitment to maintain \$250 million of our clients' assets statement equity in accounts at Schwab. This commitment benefits you because the overall commission rates and/or asset-based fees you pay are lower than they would be if we had not made the commitment. In addition to commission rates and/or asset-based fees Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

### **Schwab Advisor Services**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients 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. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following 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;
- access to employee benefits providers, human capital consultants and insurance providers;
- discount of up to \$4,250 on PortfolioCenter® Reporting Software.

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.

#### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. These services may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above – see "The Custodian and Broker We Use") and not Schwab's services that benefit only us.

## **Item 13 Account Review**

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

Client accounts are reviewed periodically by Tim Shmidl, Charlie Koch and/or Randy Schaller. As lead advisors, they are instructed to review clients' accounts with regards to their investment goals and risk tolerance levels. All accounts at Prism are assigned to these reviewers.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Mr. Shmidl, Mr. Koch and/or Mr. Schaller.

The individuals conducting reviews may vary from time to time, as personnel join or leave our firm.

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

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

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

Each client will receive a statement at least quarterly and monthly if there is certain activity sent directly from your custodian. In addition, each client will receive a quarterly written report detailing the clients account performance and portfolio holdings from Prism, except for clients that participate in company 401(k) plans or simple IRA plans.

Financial Planning clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

Generally, we will contact you periodically to determine whether any updates may be needed based on changes in your circumstances. Changed circumstances may include, but are not limited to marriage, divorce, birth, death, inheritance, lawsuit, retirement, job loss and/or disability, among others. We recommend meeting with you at least annually to review and update your plan if needed. Additional reviews will be conducted upon your request. Clients that participate in company 401(k) plans or simple IRA plans are not contacted by us annually. However, reviews will be conducted upon request. Written updates to the financial plan may be provided in conjunction with the review. Updates to your financial plan may be subject to our then current hourly rate, which you must approve in writing and in advance of the update.

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

### **A. Economic Benefits Provided by Third Parties**

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.



Additionally, we receive economic benefits from a non-client for providing investment advice or other advisory services to you. Through our participation in certain programs or use of a custodian we are entitled to receive economic benefits. As part of our fiduciary duty, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm from a non-client in and of themselves creates a potential conflict of interest and may influence our choice in providing services to your account. This arrangement does not cause our clients to pay any additional transaction fees beyond those that are traditionally charged by our firm and/or other service providers.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are licensed insurance agents. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Fees and Compensation* section.

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

Prism does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15 Custody**

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

Prism is deemed to have custody of client funds and securities whenever Prism is given the authority to have fees deducted directly from client accounts. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Prism is deemed to have custody, the firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients, or an independent representative of the client, will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. When fees are deducted from an account, Prism is responsible for calculating the fee and delivering instructions to the custodian. 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 Prism. When clients have questions about their account statements, they should contact Prism or the qualified custodian preparing the statement.

Our firm or persons associated with our firm may assist clients with the transfer of their assets between two or more of a client's accounts maintained at the client's custodian, or maintained with multiple custodians. We may effect such transfers for client accounts with client written consent per transaction or a client may use a Standing Letter of Authorization. A Standing Letter of Authorization is an authorization provided by a client in which the client grants authority to their advisor, permitting the

advisor to instruct the client's qualified custodian to transfer assets to a third party designated by the client.

Pursuant to Rule 206(4)-2 (the "Custody Rule"), we have taken steps to have controls and oversight in place to support the no-action letter issued by the SEC on February 21, 2017 (the "SEC no-action letter"). With respect to third party standing letters of authorization ("SLOA") where a client may grant us the authority to direct custodians to disburse funds to one or more third party accounts, we are deemed to have limited custody. However, we are not required to comply with the surprise examination requirement of the Custody Rule if we are otherwise in compliance with the seven representations noted in the February 21, 2017 no-action letter.

Where the Adviser acts pursuant to a SLOA, we believe we are making a good faith effort to comply with the representations noted in the SEC's no-action letter. Additionally, since many of those representations involve the qualified custodian's operations, we will collaborate closely with the custodian to ensure that the representations are able to be met.

## **Item 16 Investment Discretion**

For those client accounts where Prism provides ongoing supervision, Prism maintains limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. The procedure of buying and selling of securities is explained to clients in detail before an advisory relationship has commenced.

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and the appropriate trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. We do not permit clients to impose any restrictions on a grant of discretionary authority. Refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

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

Prism will not ask for, nor accept, voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18 Financial Information**

### **A. Balance Sheet**

Prism does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Prism, nor its management, has any financial conditions that are likely to reasonably impair their ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

Neither Prism, nor its management, has been the subject of a bankruptcy petition in the last ten years.

## **Item 19 Additional Information**

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm. When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title 1 of the Internal Revenue Code, as applicable, which are laws governing retirement accounts. As a fiduciary, Prism must:

- Meet a professional standard of care when making investment recommendations;
- Never put the financial interests of Prism ahead of you when making a recommendation;
- Avoid misleading statements;
- Charge no more than is reasonable for our services.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage

you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 72 if you remain working.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - a. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.