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**March 1, 2023**

## **Form ADV Part 2A Brochure**

Affiance Financial, LLC ("Affiance Financial") is a registered investment adviser. An "investment advisor" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the United States Securities and Exchange Commission ("SEC") or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Affiance Financial. If you have any questions about the contents of this Brochure, please contact us at (952) 544-9818 or [affiancemail@affiancefinancial.com](mailto:affiancemail@affiancefinancial.com). The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Affiance Financial is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes – Item 2

Affiance Financial submitted its annual updating amendment to Form ADV Part 2A (“Brochure”) with regard to the following:

- **Item 4 – *Advisory Business*.** We updated this section to report the amount of assets managed as of December 31, 2022.
- **Item 8 - *Methods of Analysis, Investment Strategies and Risk of Loss*.** We updated this section to disclose the risks associated with environment, social, and governance (ESG) investments. We also added a disclosure for defined-outcome investments.
- **Item 13 - *Review of Accounts*.** We amended the list of advisors.

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## Advisory Business – Item 4

In this Item 4, we provide information about our firm and our owners and an overview of services that we offer. This includes a general description of how we can tailor our services to a client's individual needs. See Item 5 for information regarding fees.

### Our Firm

Affiance Financial, LLC ("Affiance Financial"), a Minnesota limited liability company, is a registered investment adviser based in St. Louis Park, Minnesota. Affiance Financial has been in business since December 27, 2000. Andrew Fishman, Steven Lear, Eric Unger, Daniel Lear, Kyle Berg, Marcia Zappa, Marc Usem, Brendan Halleron, and Megan Pace are the current owners of Affiance Financial.

### Our Services

Affiance Financial offers (1) discretionary and non-discretionary Investment Management Services, (2) Financial Planning, and/or (3) Retirement Plan Services to employer-sponsored retirement plans and their participants. In consultation with our client, we can customize our services to meet our clients' needs. Our services are rendered by our employees and officers who are registered investment advisor representatives. We refer to them, individually as our "Associated Person" and collectively as our "Associated Persons".

#### (1) Investment Management Services

We offer discretionary and non-discretionary investment management services to clients. Discretionary investment management services means we will make investment decisions and place buy or sell orders in your account without contacting you. These decisions will be made based upon your stated investment objectives. Non-discretionary investment management service means that we must obtain your approval prior to placing any transactions in your account.

If desired, our investment management services include management of client assets held in a 529 plan. In such instances, we will allocate (or recommend that the client allocate) the 529 plan assets among the investment options available on the 529 plan platform. Our ability will be limited to the allocation of the assets among the investment alternatives available through the 529 plan. Restrictions may also apply with respect to the amount and frequency with which we can allocate and/or recommend the client allocate assets among the investment options made available under the client's 529 plan. It will remain the client's exclusive obligation to notify us of any changes in investment objectives, restrictions, etc. pertaining to the 529 plan account.

#### Non-Discretionary Service Limitations

Clients that engage Affiance Financial on a non-discretionary basis **must be willing to accept** that Affiance Financial cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Affiance Financial would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, Affiance Financial will be unable to effect the account transaction(s) **without first obtaining the client's consent.**

Our investment advice is tailored to meet our clients' investment objectives. If you decide to hire our firm to manage your portfolio, we will meet with you to gather your financial information, determine your goals, and decide how much risk to take with your investments. The information we gather will help us implement an asset allocation strategy that will be specific to your goals, whether we are actively investing for you or simply providing you with advice. Clients may impose restrictions on investing in certain securities or types of securities.

### **TD Ameritrade and Schwab**

As discussed below at Item 12, unless the client directs otherwise, Affiance Financial will generally recommend that TD Ameritrade and Schwab serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as TD Ameritrade and Schwab charge brokerage commissions and/or transaction fees for effecting securities transactions. In addition to Affiance Financial's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Affiance Financial mainly uses mutual funds and exchange traded funds in its investment management services.

### **Note – Use of Mutual Funds**

Most mutual funds are available directly to the public. Thus, a prospective client can obtain many of the mutual funds that may be recommended and/or utilized by Affiance Financial independent of engaging Affiance Financial as an investment advisor. However, if a prospective client determines to do so, they will not receive Affiance Financial's initial and ongoing investment management services. **Separate Fees:** All mutual funds (and exchange traded funds) impose fees at the fund level (e.g. management fees and other fund expenses). All mutual fund fees are separate from, and in addition to, Affiance Financial's investment management fee as described at Item 5 below.

### **Client Obligation**

Client accounts are continuously monitored and formally reviewed at least annually by the planner assigned to the client. The review process will include: comparing the current asset allocation to the recommended asset allocation and evaluating the need for rebalancing, manager replacement or tax efficient management. Additional account reviews may occur due to any of the following circumstances: a more frequent review and monitoring engagement with the client, a specific client request, deposit or withdrawal of client funds, or a change in the client's stated goals or objectives.

In performing our services, Affiance Financial will not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Affiance Financial if there is ever any change in their financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. **We recommend that you review the statement(s) you receive from the qualified custodian.**

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Affiance Financial) will be profitable or equal any specific performance level(s).

### **Retirement Rollovers – Potential for Conflict of Interest**

In conjunction with the advisory services offered, we may provide education or recommendations related to the rollover of an employer sponsored retirement plan. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan and may engage in a combination of options. Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the investor's unique financial needs and retirement plans. The complexity of these choices may lead an investor to seek assistance from us.

1. Leave the money in the former employer's plan, if permitted,
2. Roll over the assets to the new employer's plan, if one is available and rollovers are permitted,
3. Roll over to an Individual Retirement Account ("IRA"), or

4. Cash out the account value (which could, depending upon the client's age, result in adverse tax consequences).

If Affiance Financial recommends that a client roll over their retirement plan assets into an account to be managed by Affiance Financial, such a recommendation creates a **conflict of interest** if Affiance Financial will earn an advisory fee on the rolled over assets. **No client is under any obligation to rollover retirement plan assets to an account managed by Affiance Financial. Affiance Financial's Chief Compliance Officer, Eric Unger, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

However, no compensation is received if assets are retained in the employer's plan. Thus, we have an economic incentive to encourage an investor to roll plan assets into an IRA. In most cases, your fees and expenses will increase because fees will apply to assets rolled over to an IRA and ongoing services will be extended to these assets.

Further, you may incur other levels of fees and expenses, including, but not limited to, investment-related expenses imposed by other service providers and mutual fund managers not affiliated with us, as well as other fees and expenses charged by the custodian, third-party administrator, and/or record-keeper. We make no representations or warranties relating to any costs or expenses associated with the services provided by any third parties, and you understand that these fees are in addition to the fee paid to us for the rollover advice.

In cases where we provide you with rollover advice as defined by the Department of Labor, which may also include setting up and/or completing the rollover transaction, we do not serve as a custodian, and we do not provide legal or tax advice to you. In addition, we do not have any responsibilities or potential liabilities in connection with assets not related to the rollover and investments that are not managed by us.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests. In accordance with various rules and regulations, we must act in your best interest and we must not put our interests ahead of your interests. Additionally, we must: meet a professional standard of care when making investment recommendations (give prudent advice); never put our financial interests ahead of yours when making recommendations (give loyal advice); avoid misleading statements about conflicts of interest, fees, and investments; follow policies, and procedures designed to ensure that we give advice that is in your best interest; charge no more than is reasonable for our services; and give you basic information about any conflicts of interest.

We rely on all information you provide to us, whether financial or otherwise, without independent verification. We request that you promptly notify us in writing of any material change in the financial and other information provided to us, and to promptly provide any such additional information as may be reasonably requested by us.

Due to the volatile and unpredictable nature of financial markets, we do not guarantee any future performance, any specific level of performance, or the success of any recommendations or strategies

that we may take or recommend for you, or the success of our overall recommendations. Investment recommendations are subject to various market, currency, economic, political, and business risks, and that investment decisions will not always be profitable.

As of December 31, 2022, Affiance Financial manages client assets in the amount of \$814,840,689. Of the amount managed, \$762,177,792 is on a discretionary basis and \$52,662,897 is on a non-discretionary basis.

## **(2) Financial Planning Services**

We offer broad-based financial planning services to clients through our financial planning program, The Affiance Advantage. We customize our financial planning services based on client needs and circumstances. For a given client this process may include, but is not limited to, some or all of the following:

- Initial Client Engagement
- Cash Flow Planning
- Insurance and Risk Management Planning
- Employee Benefits Planning
- Investment Planning
- Tax Planning
- Retirement Planning
- College and Special Occasion Planning
- Estate and Legacy Planning
- Business Consulting

As an extension of the financial planning process we typically meet with clients at pre-determined intervals, typically: monthly, quarterly, semi-annually, or annually (or upon request of client) to help clients monitor and assess their ongoing needs and goals and adapt their strategies in response.

### **Limitations of Financial Planning and Non-Investment Consulting/Implementation Services**

Affiance Financial **does not** serve as an attorney or accountant, and no portion of our services should be construed as same. Accordingly, we **do not** prepare estate planning documents or tax returns. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.). **Please Note:** If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

Certain Affiance Financial representatives are also representatives of Private Client Services (“PCS”), an SEC registered and FINRA member broker-dealer, and as licensed insurance agents. **Please Also Note - Conflict of Interest:** The recommendation by Affiance Financial that a client purchase a securities or insurance commission product from Affiance Financial’s representatives in their separate individual capacities as representatives of PCS and/or as insurance agents, presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client’s need. **Affiance Financial’s Chief Compliance Officer, Eric Unger, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

No client is under any obligation to purchase any securities or insurance commission product from Affiance Financial’s representatives. Clients are reminded that they may purchase securities and insurance products recommended by Affiance Financial through other, non-affiliated broker-dealers and/or

insurance agencies. In addition, the client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Affiance Financial and/or its representatives.

### **(3) Retirement Plan Services**

For Retirement Plan Services, Affiance Financial offers (1) Discretionary Investment Management Services and/or (2) Retirement Plan Consulting Services to employer-sponsored retirement plans and their participants. Depending on the type of the Plan and the specific arrangement with the Sponsor, we may provide one or more of these services. Prior to being engaged by the Sponsor, we will provide a copy of this Form ADV Part 2 along with a copy of our Privacy Policy and the Retirement Plan Agreement] ("Agreement") that contains the information required under Sec. 408(b)(2) of the Employee Retirement Income Security Act ("ERISA") as applicable.

The Agreement authorizes our Investment Adviser Representatives ("IARs") to deliver one or more of the following services:

#### **Discretionary Investment Management Services**

These services are designed to allow the Plan fiduciary to delegate responsibility for managing, acquiring and disposing of Plan assets that meet the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). We will perform these investment management services through our IARs and charge fees as described in this Form ADV and the Agreement. If the Plan is subject to ERISA, we will perform these services as an "investment manager" as defined under ERISA Section 3(38) and as a "fiduciary" to the Plan as defined under ERISA Section 3(21). Specifically, the Sponsor may determine that we perform the following services:

##### **SELECTION, MONITORING & REPLACEMENT OF DESIGNATED INVESTMENT ALTERNATIVES ("DIAs"):**

Advisor will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and provide to Sponsor an IPS that contains criteria from which Advisor will select, monitor and replace the Plan's DIAs. Once approved by Sponsor, Advisor will review the investment options available to the Plan and will select the Plan's DIAs in accordance with the criteria set forth in the IPS. On a periodic basis, Advisor will monitor and evaluate the DIAs and replace any DIA(s) that no longer meet the IPS criteria.

##### **CREATION & MAINTENANCE OF MODEL ASSET ALLOCATION PORTFOLIOS ("MODELS"):**

Advisor will create a series of risk-based Models comprised solely among the Plan's DIAs; and, on a periodic basis and/or upon reasonable request, Advisor will reallocate and rebalance the Models in accordance with the IPS or other guidelines approved by Sponsor.

##### **SELECTION, MONITORING & REPLACEMENT OF QUALIFIED DEFAULT INVESTMENT ALTERNATIVES ("QDIA(s)):**

Based upon the options available to the Plan, Advisor will select, monitor and replace the Plan's QDIA(s) in accordance with the IPS.

##### **MANAGEMENT OF TRUST FUND:**

Advisor will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and provide to Sponsor an IPS that contains criteria from which Advisor will select, monitor and replace the Plan's investments. Once approved by Sponsor, Advisor will review the investment options available to the Plan and will select the Plan's investments in accordance with the criteria set forth in the IPS. On a periodic basis, Advisor will monitor and evaluate the investments and replace any investment(s) that no longer meet the IPS criteria.



## **Retirement Plan Consulting Services**

Retirement Plan Consulting Services are designed to allow our IARs to assist the Sponsor in meeting their fiduciary duties to administer the Plan in the best interests of Plan participants and their beneficiaries. Retirement Plan Consulting Services are performed so that they would not be considered "investment advice" under ERISA. The Sponsor may elect for our IARs to assist with any of the following services:

### **Administrative Support**

- Assist Sponsor in reviewing objectives and options available through the Plan
- Review Plan committee structure and administrative policies/procedures
- Recommend Plan participant education and communication policies under ERISA 404(c)
- Assist with development/maintenance of fiduciary audit file and document retention policies
- Deliver fiduciary training and/or education periodically or upon reasonable request
- Recommend procedures for responding to Plan participant requests

### **Service Provider Support**

- Assist fiduciaries with a process to select, monitor and replace service providers
- Assist fiduciaries with review of Covered Service Providers ("CSP") and fee benchmarking
- Provide reports and/or information designed to assist fiduciaries with monitoring CSPs
- Coordinate and assist with CSP replacement and conversion

### **Investment Monitoring Support**

- Periodic review of investment policy in the context of Plan objectives
- Assist the Plan committee with monitoring investment performance

### **Participant Services**

- Facilitate group enrollment meetings and coordinate investment education

## **Potential Additional Retirement Services Provided Outside of the Agreement**

In providing Retirement Plan Services, Affiance Financial and its IARs may establish a client relationship with one or more Plan participants or beneficiaries. Such client relationships develop in various ways, including, without limitation:

1. as a result of a decision by the Plan participant or beneficiary to purchase services from Affiance Financial not involving the use of Plan assets;
2. as part of an individual or family financial plan for which any specific recommendations concerning the allocation of assets or investment recommendations relating to assets held outside of the Plan; or
3. through a rollover of an Individual Retirement Account ("IRA Rollover").

If Affiance Financial is providing Retirement Plan Services to a plan, IARs may, when requested by a Plan participant or beneficiary, arrange to provide services to that participant or beneficiary through a separate agreement. If a Plan participant or beneficiary desires to affect an IRA Rollover from the Plan to an account advised or managed by Affiance Financial, IAR will have a conflict of interest if his/her fees are reasonably expected to be higher than those paid to Affiance Financial in connection with the Retirement Plan Services. IAR will disclose relevant information about the applicable fees charged by Affiance Financial prior to opening an IRA account. Any decision to affect the rollover or about what to do with the rollover assets remain that of the Plan participant or beneficiary alone. In providing these optional services, we may offer employers and employees information on other financial and retirement products or services offered by Affiance Financial and our IARs.

### **Individually Tailored Services**

When providing investment fiduciary services, we will tailor our advice or (if applicable) discretion to meet the investment policies or other written guidelines adopted by the Sponsor. When providing Participant Investment Advice, such advice will be based upon the investment objectives, risk tolerance and investment time horizon of each individual Plan participant.

### **Regulatory Assets Under Management**

Regulatory Assets Under Management are calculated the same for Form ADV Part 1 and Part 2A. These figures include all fee paying and non-fee paying (employees, family members, and friends) accounts to whom we provide our portfolio management services as of the date indicated.

## **Fees and Compensation – Item 5**

In this Item 5, we provide general information about how we charge for the services offered. The form, timing and amount of our compensation are determined by the type and amount of services we provide. We enter into written agreements with our clients prior to performing any services. Our basic fee system is explained below.

### **Fees for Investment Management Services**

Affiance Financial charges an asset-based fee for investment management services. Our fees are payable in advance on a quarterly basis and based upon the market value of the assets on the last day of the previous quarter. The first period's fees will be calculated on a pro rata basis, based on the number of days remaining in the service period. If the agreement is terminated prior to the end of a service period, our fee will be prorated through the date of termination and any remaining balance will be refunded to the client within 30 business days. Please note that Affiance Financial considers cash to be an asset class, and that it is included in fee calculations. Accordingly, unless otherwise agreed in writing, all cash and cash equivalent positions (e.g., money market funds, etc.) are included as part of assets under management for purposes of calculating the advisory fee. It should also be noted that at times (such as now), the fee on cash will exceed the money market yield. Additionally, at any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), the firm may maintain cash and/or cash equivalent positions for defensive, liquidity, or other purposes. While assets are maintained in cash or cash equivalents, such amounts could miss market advances.

We allow Associated Persons to negotiate the exact investment management fees within the range disclosed below. As a result, the Associated Person may charge more or less for the same service than another Associated Person of our firm. Further, the annual investment management fee with Affiance Financial may be higher or lower than that charged by another investment advisory firm, offering similar services. Our fees are based upon the following blended fee schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee Percentage</u></b>
\$0 - \$500,000	1.50%
\$ 500,001 - \$1,000,000	1.25%
\$1,000,001 - \$2,500,000	1.10%
\$2,500,001 - \$5,000,000	1.00%
Accounts over \$5,000,000	0.85%

**With respect to assets held in 529 plans we charge a management fee of up to 0.50 percent.**

As a normal extension of financial advice, we may provide recommendations related to the rollover of an employer sponsored retirement plan. A plan participant leaving employment has several options. Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the

investor's unique financial needs. The complexity of these choices may lead an investor to seek assistance from Affiance Financial.

When we recommend an investor roll over plan assets into an IRA, we will earn an asset-based fee as a result. However, we will not earn an asset-based fee if assets are retained in the plan. Thus, we have an economic incentive to encourage an investor to roll plan assets into an IRA. In most cases, the investor's fees and expenses will increase as a result of the above-described fees being applied to assets rolled over to an IRA managed by us.

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

### **Form CRS**

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interest and not put our interests ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

### **Periods of Portfolio Inactivity**

The firm has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, the firm will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when the firm determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, unless otherwise agreed in writing, the firm's annual investment advisory fee will continue to apply during these periods, and there can be no assurance that investment decisions made by the firm will be profitable or equal any specific performance level(s).

### **Payment of Fees**

Affiance Financial will either invoice the client directly for management fees or payment will be made by the qualified custodian. We will only receive payment from the custodian if the client supplies written authorization permitting the fees to be paid directly from the account. Affiance Financial will not have access to client funds for payment of fees without written consent by the client. Further, the qualified custodian agrees to deliver an account statement, at least quarterly, directly to the client, showing all disbursements from the account. The client is encouraged to review all account statements for accuracy. Affiance Financial will receive a duplicate copy of the statement that was delivered to the client.

Our annual fee is exclusive of and in addition to: brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. However, we will not receive any portion of the commissions, fees, and costs. Please see Item 12 – Brokerage Practices for further information on brokerage and transaction costs.

At the inception of investment management services, the first pay period's fees will be calculated on a pro rata basis. The Investment Management Agreement between Affiance Financial and the client will continue in effect until either party terminates the Agreement in accordance with the terms of the Agreement. Affiance Financial's annual fee will be pro-rated through the date of termination and any remaining balance will be refunded to the client within 30 business days.

### **Fees as a Percentage of Assets Under Management**

#### **Additional Fees and Expenses**

Affiance Financial's fees are separate and distinct from the fees and expenses charged by mutual funds or exchange-traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client will pay an initial or deferred sales charge. Accordingly, the client should review both the fees charged by the funds and the fees charged by Affiance Financial to fully understand the total amount of fees to be paid by the client and to thereby evaluate the management services provided.

#### **Fixed Fee Services**

**Initial Client Engagements** may be subject to a one-time fee ranging from \$500 to \$15,000, based on time and complexity. The initial fee provides compensation to Affiance Financial for time and resources necessary to provide the following initial services:

- Meeting(s)
- Meeting notes
- Goal setting
- Education
- Data organization and data entry
- Financial reports
- Enhancing the following skills
  - Problem solving
  - Decision making
  - Communication style

The fee for initial client engagements is payable upon signing a Financial Planning Agreement.

**Financial Planning Services.** Affiance Financial charges a fixed fee for financial planning services, which typically falls between \$500 and \$15,000 per agreement. The total fee is based on the complexity of the services and the time required for providing the services. In most cases fees for financial planning services are waived when a client hires us for investment management services. Fixed fees, excluding those for Initial Client Engagements, are payable monthly, quarterly, semi-annually, or annually upon invoice receipt. If either party terminates the agreement, any unearned portion of any fees paid in advance would be returned to the client upon termination.

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

Certain employees and officers (Associated Persons) are registered representatives, insurance agents, and/or investment advisor representatives with Private Client Services ("PCS"), a registered broker/dealer. These Associated Persons receive commission-based compensation for buying and selling securities in their capacity as a registered representative. These include 12b-1 fees, service fees for the sale of mutual funds or annuity products. This commission compensation is separate from Affiance Financial's fees.

Receiving commission-based compensation in addition to providing investment advice to the same client presents a conflict of interest. It gives an incentive for the Associated Person to recommend investment products based on commission compensation rather than client needs. Affiance Financial has policies and procedures in place to monitor all client transactions. Affiance Financial has adopted a code of ethics that requires all associated persons to deal fairly with all clients when taking investment action and to uphold their fiduciary duty and to put the client's interest first. Where Affiance Financial finds an Associated Person has not acted in the best interest of the client, Affiance Financial may require the Associated Person to cancel the transaction. Alternatively, Affiance Financial may deduct the commission costs from the advisory fee paid by the client. In any event, all client transaction costs will be disclosed to the client.

Our clients have the option to purchase investment products that Affiance Financial recommends through other brokers and agents who are not affiliated with Affiance or PCS.

### **Total Anticipated Compensation**

Associated Persons who provide investment advice on behalf of our firm are also registered representatives, insurance agents, and/or investment advisor representatives with PCS. In these capacities at PCS, Associated Persons expect to receive advisory fees, commission and bonuses. These fees and commissions are in addition to compensation received from Affiance Financial.

### **Definition of Terms**

**Distribution Fee:** A distribution fee is a fee one must pay in a 12B-1 Plan. A 12B-1 Plan is a mutual fund that, instead of a load (or sales fee), annually charges shareholders a small percentage of the fund's market value, which is called a 12B-1 fee. Instead of assessing a fee when buying or selling shares as most mutual funds do, 12B-1 fees are deductions from the fund's market value per shareholder. Usually a 12B-1 fee is less than 1% of the market value.

**Sales Charges:** A commission paid by an investor on his or her investment in a mutual fund. The sales charge is paid to a financial intermediary (broker, financial planner, investment adviser, etc.) for selling the fund and is intended to provide compensation for the financial salesperson's efforts in assisting clients in selecting the mutual funds best suited to their needs.

**Deferred Sales Charge:** A deferred sales charge is the fee paid when a shareholder sells shares in a mutual fund within a certain number of years. That is, when an investor initially buys a share in a back-end load fund, he/she agrees to pay a third party, usually a financial institution or broker, a certain percentage of the share's value if he/she decides to sell it within five to 10 years, depending on the specific nature of the agreement. The deferred sales charge usually declines by the year until the maximum number of years is reached.

### **Fees for the Retirement Plan Services**

Fees for Retirement Plan Services are negotiable. A description of the different types of fees for Retirement Plan Services appears in the fee schedule below:

**With respect to Retirement Plan Assets Under Management we charge a management fee ranging from 0.20% to 0.75%.**

Depending upon the capabilities and requirements of the Plan's recordkeeper or custodian, we may collect our Fees in arrears or in advance. Typically, Sponsors instruct the Plan's recordkeeper or custodian to automatically deduct our Fees from the Plan account; however, in some cases a Sponsor may request that we send invoices directly to the Sponsor or recordkeeper/custodian.

Sponsors receiving Retirement Plan Services may pay more than or less than a client might otherwise pay if purchasing the Retirement Plan Services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the Plan, the specific investments made by the Plan, the number of or locations of Plan participants, the Retirement Plan Services offered by another service provider, and the actual costs of Retirement Plan Services purchased elsewhere. In light of the specific Retirement Plan Services offered by Affiance Financial, the Fees charged may be more or less than those of other similar service providers.

In determining the value of the Account for purposes of calculating any asset-based Fees, Advisor will rely upon the valuation of assets provided by Sponsor or the Plan's custodian or recordkeeper without independent verification. If, however, there are circumstances which, in the Advisor's judgment, render the custodian's valuation inappropriate in which case Advisor will value securities listed on any national securities exchange at the closing price on the principal exchange on which they are traded and will value any other securities in a manner determined in good faith by Advisor to reflect fair market value. In all events, any such valuation will not be any guarantee of the market value of any of the assets in the Plan.

Unless we agree otherwise, no adjustments or refunds will be made in respect of any period for (i) appreciation or depreciation in the value of the Plan account during that period or (ii) any partial withdrawal of assets from the account during that period. If the Agreement is terminated by us or by Sponsor, we will refund certain Fees to Sponsor to the extent provided in Section 8 of the Agreement. Unless we agree otherwise, all Fees shall be based on the total value of the assets in the account without regard to any debit balance.

All Fees paid to Affiance Financial for Retirement Plan Services are separate and distinct from the fees and expenses charged by mutual funds, variable annuities and exchange traded funds to their shareholders. These fees and expenses are described in each investment's prospectus. These fees will generally include a management fee, other expenses, and possible distribution fees. If the investment also imposes sales charges, a client may pay an initial or deferred sales charge. The Retirement Plan Services provided by Affiance Financial may, among other things, assist the client in determining which investments are most appropriate to each client's financial condition and objectives and to provide other administrative assistance as selected by the client. Accordingly, the client should review both the fees charged by the funds, the fund manager, the Plan's other service providers and the fees charged by Affiance Financial to fully understand the total amount of fees to be paid by the client and to evaluate the Retirement Plan Services being provided.

While not necessarily related to the Retirement Plan Services, various vendors, product providers, distributors and others may provide non-monetary compensation by paying some expenses related to training and education, including travel expenses, and attaining professional designations. We might receive payments to subsidize our own training programs. Certain vendors may invite us to participate in conferences, on-line training or provide publications that may further IARs and employees' skills and knowledge. Some may occasionally provide us with gifts, meals and entertainment of reasonable value consistent with industry rules and regulations.

If applicable, and in the event the payments are received in connection with or as a result of the Retirement Plan Services, we will disclose such fees to Sponsors in accordance with ERISA and Department of Labor regulations.

Fees are charged as described above and are not based on a share of capital gains or capital appreciation of the client's investments. **All fees are negotiable. The exact fees charged to an individual will be contained in the client's agreement with Affiance Financial. No increase in the fees will be effective without prior written notice.**



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

Affiance Financial does not charge performance-based fees. See Item 5 for fee information.

## Types of Clients – Item 7

Affiance Financial offers advisory services to individuals, pension and profit sharing plans, charitable organizations, corporations or other businesses.

Our Retirement Plan Services are available to clients that are sponsors or other fiduciaries to plans, including 401(k), 457(b), 403(b) and 401(a) plans. Plans include participant-directed defined contribution plans and defined benefit plans. Plans may or may not be subject to ERISA.

### Account Minimums

Affiance Financial generally recommends an aggregate relationship minimum of \$500,000 to commence investment management services. However, Affiance Financial, in its sole discretion, may charge a lesser advisory fee and/or reduce or waive its aggregate relationship minimum based upon certain criteria (i.e. anticipated future earning capacity, type of management services to be rendered, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Affiance Financial's Chief Compliance Officer, Eric Unger, remains available to address any questions that a client may have regarding its advisory fee schedule.

We do not require a minimum asset amount for Retirement Plan Consulting Services.

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

### Methods of Analysis

Affiance Financial primarily employs fundamental analysis when providing clients with investment advice. Fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

Affiance utilizes a top-down macroeconomic approach. Generally, this means that big picture events in economies worldwide play a role in determining the client's asset allocation range. Determining the final asset allocation is a personal process largely dependent on the client's time horizon, liquidity needs and investment objective. Each investment strategy is guided by this methodology but remains unique to the individual. Clients may elect to place investment restrictions or further explain their investment objective on their client profile form. In general, the client will select a primary investment objective.

### Definition of Investment Objectives

**Conservative:** Emphasis on generating a stable level of current income. Future capital appreciation is a secondary objective. Modest annual principal fluctuation is expected and acceptable. Portfolio will consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on fixed income. The percentages allocated to each general asset class are subject to a range. For example, Conservative (40/60) can range between 0% and 55% equities and 45% and 100% fixed income + cash. **Types of Securities:** Mutual Funds, Exchange-Traded Funds, Closed-End Funds, Stocks and Bonds. Allocation subject to change at discretion of Adviser dependent upon market conditions.

**Moderate:** Emphasis is on both current income and future capital appreciation. Moderate portfolios typically exhibit moderate growth of capital while dampening volatility. Principal risk and fluctuation is

expected and acceptable over the intended investment time horizon (at least 5 years). Portfolio will consist of a determined allocation among equities, fixed income, and cash. The percentages allocated to each general asset class are subject to a range. For example, Moderate (60/40) can range between 55% and 70% equities and 30% and 45% fixed income + cash. **Types of Securities:** Mutual Funds, Exchange-Traded Funds, Closed-End Funds, Stocks and Bonds. Allocation subject to change at discretion of Adviser dependent upon market conditions

**Moderate/Aggressive:** Primary emphasis is on future capital appreciation. Income is a secondary objective. Principal risk and fluctuation is expected and acceptable over the intended long-term investment time horizon (in excess of 5 years). Portfolio will consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on equities. The percentages allocated to each general asset class are subject to a range. For example, Moderate/Aggressive (75/25) can range between 70% and 85% equities and 15% and 30% fixed income + cash. **Types of Securities:** Mutual Funds, Exchange Traded Funds, Closed End Funds, Stocks and Bonds. Allocation subject to change at discretion of Adviser dependent upon market conditions

**Aggressive:** Emphasis is on future capital appreciation. Income is not an objective. High principal risk and fluctuation is expected and acceptable over the intended long-term investment time horizon (in excess of 5 years). Portfolio will consist of a determined allocation among equities, fixed income, alternatives and cash, with a primary emphasis on equities. The percentages allocated to each general asset class are subject to a range. For example, Aggressive (90/10) can range between 85% and 100% equities and 0% and 15% fixed income + cash. **Types of Securities:** Mutual Funds, Exchange-Traded Funds, Closed-End Funds, Stocks and Bonds. Allocation subject to change at discretion of Adviser dependent upon market conditions.

### **Investment Strategies**

Affiance Financial primarily manages five types of investment strategies, Optimum, Advantage, Core, Prime, and Sage. The asset allocation weightings among the different types of investment strategies are similar but the individual investments within the asset allocations differ. Differences in individual security selection will result in different investment performance.

**Affiance Optimum:** Affiance Optimum portfolios are designed in conjunction with investment consulting firm Frontier Asset Management. The portfolios have a combination of passive management and selected active managers. Portfolios range from conservative to aggressive allocations where fund weightings across allocations are not necessarily symmetric. Assets include mutual funds providing global exposure to US stocks, international stocks, bonds, and cash. All portfolios can be customized to accommodate qualified or taxable accounts.

**Affiance Advantage:** Affiance Advantage portfolios are designed to be highly cost efficient. Portfolios range from conservative to aggressive. The portfolios have a combination of passive management and selected active managers. Portfolio weightings are generally symmetric across allocations. Assets include mutual funds providing global exposure to US stocks, international stocks, bonds and cash. All portfolios can be customized to accommodate qualified or taxable accounts. Frontier Asset Management consults on the Affiance Advantage portfolios.

**Affiance Core:** Affiance CORE portfolios are designed for clients with a smaller asset base where it would be cost prohibitive to implement the Affiance Optimum or Advantage portfolios. The CORE portfolios consist of a smaller number of passive and actively managed mutual funds. Portfolios range from conservative to aggressive. Portfolio weightings are generally symmetric across allocations. Assets include mutual funds providing global exposure to US stocks, international stocks, bonds, and cash. All portfolios can be customized to accommodate qualified or taxable accounts.



**Affiance Prime:** Affiance Prime portfolios are designed for clients with a small asset base where it would be cost prohibitive to implement the Affiance CORE portfolio. Prime portfolios consist of two investment holdings. One equity mutual fund providing global stock exposure and one bond fund. Portfolio allocations range from conservative to aggressive. Portfolios are designed to approximate the allocation and weighting of the CORE portfolios. Performance will vary from CORE portfolios due to differences in the underlying holdings. The portfolio can be customized to accommodate qualified or taxable accounts.

**Affiance Sage and Sage Core:** Affiance Sage and Sage Core are two portfolios designed to provide clients with an investment strategy that is socially responsible. Sage is designed for larger accounts and Sage Core for smaller accounts, each with a range of asset allocations from conservative to aggressive. Criteria for mutual fund inclusion in the portfolios is a social mandate. A social mandate includes socially responsible investing (SRI) that excludes companies that made money from alcohol, tobacco, or gambling. This also includes environmental, social, and governance investing (ESG) that includes companies that are deemed good stewards of the environment, treat employees, customers, and suppliers fairly. Assets include mutual funds providing global exposure to US stocks, international stocks, bonds, and cash. Portfolios are designed to approximate the allocation and weighting of the traditional Affiance portfolios. Performance will vary from the traditional portfolios due to differences in the underlying holdings. All portfolios can be customized to accommodate qualified or taxable accounts.

It should also be noted that in many instances, Affiance Financial has created customized portfolios that may not fall within the parameters described above. Customized portfolios have been structured after extensive consultations with the individual client.

### **Risk of Loss**

Deviations may occur relative to account allocations during any specific short-term period (6 months or less) due to market conditions or planner perceived and/or anticipated market developments. Of course, there can be no assurances that any such perceived and/or anticipated market developments will occur, be correct or prove profitable.

Affiance Financial employs long-term, buy-and-hold philosophies and approaches in their investment selection and implementation strategies. Recommendations provided are based on publicly available reports, analysis, research materials, computerized asset allocation models, and various subscription services.

The investment planning service provided by Affiance Financial will vary depending on each client's specific financial situation, goals, client profile and the decisions made by the planner assigned to the client. Affiance Financial believes that independence in investment decision making is paramount and thus each planner incorporates their own individual beliefs into the investment strategy. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, clients should fully understand the nature of the contractual relationships into which they are entering and the extent of their exposure to risk. Certain investing strategies may not be suitable for many members of the public. Clients should carefully consider whether the strategies employed will be appropriate for them in light of their experience, objectives, financial resources and other relevant circumstances.

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different

types and degrees of risk and clients should familiarize themselves with the risks involved in the particular market instruments they intend to invest in.

**Loss of Value:** There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guarantee to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and government, economic or monetary policies.

**Concentrated Position Risk:** In the event an Associated Person recommends that a client concentrate account assets in an industry or economic sector, it presents risk. In addition to the potential concentration of accounts in one or more sectors, certain accounts may hold, or be advised to hold concentrated positions in specific securities. Therefore, at times, an account may hold, or be advised to hold a relatively small number of securities positions, each representing a relatively large portion of assets in the account. As a result, the account will be subject to greater volatility than a more diversified portfolio. Investments in issuers within an industry or economic sector that experiences adverse economic, business, political conditions or other concerns will affect the value of such a portfolio more than if the portfolio's investments were not so concentrated. A negative change in the value of a single investment within the portfolio will affect the overall value of the portfolio and will cause greater losses than it would in a portfolio that holds more diversified investments.

**Interest Rate Risk:** Fixed-income securities and funds that invest in bonds and other fixed-income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer-term debt securities are usually more sensitive to interest rate changes.

**Credit Risk:** Investments in bonds and other fixed-income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**Foreign Exchange Risk:** Foreign investments may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rates. Changes in currency exchange rates may influence the share value, the dividends or interest earned and the gains and losses realized. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. If the currency in which a security is denominated appreciates against the U.S. dollar, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security.

**Futures and Options:** Options and futures contracts on securities carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact, which may work for or against the investor. The placing of certain orders, which are intended to limit losses to certain amounts, may not be effective because market conditions may make it impossible to execute such orders. Transactions in options also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The

seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

**Cryptocurrency Risk:** Cryptocurrency (e.g., bitcoin), often referred to as "virtual currency," "digital currency," or "digital assets," is designed to act as a medium of exchange. Cryptocurrency is an emerging asset class. There are thousands of cryptocurrencies, the most well-known of which is bitcoin. While the firm does not recommend cryptocurrency as an investment, certain clients may have exposure to bitcoin or another cryptocurrency, directly or indirectly through an investment such as an ETF or other investment vehicles. Cryptocurrency operates without central authority or banks and is not backed by any government. Cryptocurrencies may experience very high volatility and related investment vehicles may be affected by such volatility. Cryptocurrency may trade at a significant premium or discount to NAV. Cryptocurrency is also not legal tender. Federal, state or foreign governments may restrict the use and exchange of cryptocurrency, and regulation in the U.S. is still developing. The market price of many cryptocurrencies, including bitcoin, has been subject to extreme fluctuations. If cryptocurrency markets continue to be subject to sharp fluctuations, investors may experience losses. Similar to fiat currencies (i.e., a currency that is backed by a central bank or a national, supra-national or quasi-national organization), cryptocurrencies are susceptible to theft, loss and destruction. Cryptocurrency exchanges and other trading venues on which cryptocurrencies trade are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure than established, regulated exchanges for securities, derivatives and other currencies. The SEC has issued a public report stating U.S. federal securities laws require treating some digital assets as securities.

Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers or malware. Due to relatively recent launches, most cryptocurrencies have a limited trading history, making it difficult for investors to evaluate investments. Generally, cryptocurrency transactions are irreversible such that an improper transfer can only be undone by the receiver of the cryptocurrency agreeing to return the cryptocurrency to the original sender. Digital assets are highly dependent on their developers and there is no guarantee that development will continue or that developers will not abandon a project with little or no notice. Third parties may assert intellectual property claims relating to the holding and transfer of digital assets, including cryptocurrencies, and their source code. Any threatened action that reduces confidence in a network's long-term ability to hold and transfer cryptocurrency may affect investments in cryptocurrencies.

Many significant aspects of the U.S. federal income tax treatment of investments in cryptocurrency are uncertain and an investment in cryptocurrency may produce income that is not treated as qualifying income for purposes of the income test applicable to regulated investment companies. Certain cryptocurrency investments may be treated as a grantor trust for U.S. federal income tax purposes, and an investment by the firm's clients in such a vehicle will generally be treated as a direct investment in cryptocurrency for tax purposes and "flow-through" to the underlying investors.

**Environment, Social, and Governance Investment Criteria Risk:** If a portfolio is subject to certain environmental, social and governance (ESG) investment criteria it may avoid purchasing certain securities for ESG reasons when it is otherwise economically advantageous to purchase those securities, or may sell certain securities for ESG reasons when it is otherwise economically advantageous to hold those securities. In general, the application of the portfolio's ESG investment criteria may affect the portfolio's exposure to certain issuers, industries, sectors and geographic areas, which may affect the financial performance of the portfolio, positively or negatively, depending on whether these issuers, industries, sectors or geographic areas are in or out of favor. ESG funds can vary materially from each other with respect to the methodology for constructing ESG portfolios or screens, including with respect

to the factors and data that it collects and evaluates as part of its process. As a result, an ESG portfolio or screen may materially differ from or contradict the conclusions reached by other ESG portfolio concerning the same issuers. Further, ESG criteria are dependent on data and are subject to the risk that such data reported by issuers or received from third-party sources may be subjective, or it may be objective in principle but not verified or reliable.

**Inverse Funds:** Inverse mutual funds and ETFs, which are sometimes referred to as "short" funds, seek to provide the opposite of the single-day performance of the index or benchmark they track. Inverse funds are often marketed as a way to profit from, or hedge exposure to, downward moving markets. Some inverse funds also use leverage, such that they seek to achieve a return that is a multiple of the opposite performance of the underlying index or benchmark (i.e., -200%, -300%). In addition to leverage, these funds may also use derivative instruments to accomplish their objectives. As such, inverse funds are highly volatile and provide the potential for significant losses.

**Defined-Outcome Funds:** Defined-outcome funds are designed to offer downside protection for a specified period of time. These funds are modeled after options-based structured notes, but are generally cheaper, and offer more liquidity. They are designed to safeguard against market downturns by employing complex options strategies. Defined-outcome funds typically charge higher management fees that are considerably more than the index funds whose performance they attempt to track. Additionally, they typically have a lower dividend yield than the index they attempt to track. Both factors may result in the underperformance of the defined-outcome fund compared to the index they attempt to track. Clients should carefully read the prospectus for a defined-outcome fund to fully understand the cost structures, risks, and features of these complex products.

**Cybersecurity Risks:** Affiance Financial and our service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate; however, unintentional events may have similar effects. Cyber-attacks may cause losses to clients by interfering with the processing of transactions, affecting the ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose our firm to civil liability as well as regulatory inquiry and/or action. In addition, clients could be exposed to additional losses as a result of unauthorized use of their personal information. While our firm has established a business continuity plan and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks are also present for issuers of securities, investment companies and other investment advisers in which we invest, which could result in material adverse consequences for such entities and may cause a client's investment in such entities to lose value.

**Pandemic Risk:** Large-scale outbreaks of infectious disease can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption. It is difficult to predict the long-term impact of such events because they are dependent on a variety of factors including the global response of regulators and governments to address and mitigate the worldwide effects of such events. Workforce reductions, travel restrictions, governmental responses, policies, and macroeconomic factors are likely to negatively affect investment returns.

## Disciplinary Information – Item 9

Affiance Financial and its officers and employees do not have legal or disciplinary events to disclose.

## Other Financial Industry Activities or Affiliations – Item 10

As indicated above at Item 4, Affiance Financial representatives serve as representatives of PCS and as licensed insurance agents. The recommendation by Affiance Financial that a client purchase a securities or insurance-commission product from Affiance Financial's representatives in their separate individual capacities as representatives of PCS and/or as an insurance agent, presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from Affiance Financial's representatives. Clients are reminded that they may purchase securities and insurance products recommended by Affiance Financial through other, non-affiliated broker-dealers and/or insurance agents. **Affiance Financial's Chief Compliance Officer, Eric Unger, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

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

### Description of Our Code of Ethics

Affiance Financial has adopted a Code of Ethics (the "Code"), pursuant to SEC Rule 204, to address advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes Affiance Financial's policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first;
- The requirement to engage in personal investing that is in full compliance with the code of ethics;
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

Clients can request a copy of our Code of Ethics by calling Eric Unger at (952) 253-2588, emailing him at [eric.unger@affiancefinancial.com](mailto:eric.unger@affiancefinancial.com) or mailing us a request at our principal office address.

### Personal Trading Practices

At times Affiance Financial and/or its IARs may take positions in the same securities as clients, which may pose a conflict of interest with clients. Affiance Financial and its IARs will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to client trades. We will not violate our fiduciary responsibilities to our clients. Front running (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.



## Brokerage Practices – Item 12

### Suggestion of Broker

Affiance 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. Affiance Financial generally recommends that investment accounts be maintained at TD Ameritrade Institutional, a division of TD Ameritrade Inc. (“TD Ameritrade”) or Charles Schwab & Co., Inc. (“Schwab”). TD Ameritrade and Schwab are unaffiliated SEC-registered broker-dealers and members of FINRA/SIPC. We are independently owned and operated and are not affiliated with TD Ameritrade and Schwab. TD Ameritrade and 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 TD Ameritrade and Schwab as custodian/broker, you will decide whether to do so and will open your account with TD Ameritrade and/or Schwab by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian.

### How we select brokers/custodians

When considering whether the terms that TD Ameritrade and Schwab provide are, overall, most advantageous to you when compared with other available providers and their services, we consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (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 the prices
- Reputation, financial strength, security, and stability
- Prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below (see “Products and services available to us from Schwab and “Products and services available to us from TD Ameritrade” below)

### Your brokerage and trading costs

For our clients’ accounts that TD Ameritrade and Schwab maintain, TD Ameritrade and Schwab generally do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that they execute or that settle into your TD Ameritrade and Schwab account. Certain trades (for example, many mutual funds, and U.S. exchange-listed equities and ETFs) may not incur commissions or transaction fees. TD Ameritrade and Schwab are also compensated by earning interest on the uninvested cash in your account.

In cases where we choose to execute a trade with different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your TD Ameritrade and Schwab account, TD Ameritrade and Schwab charge you a flat dollar amount as a “prime broker” or “trade away” fee for each trade. These fees are in addition to the commissions or other compensation you pay

the executing broker-dealer. Because of this, to minimize your trading costs, we have TD Ameritrade and Schwab execute most trades for your account.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trades through TD Ameritrade and Schwab, we have determined that having TD Ameritrade and Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How we select brokers/custodians”). By using another broker or dealer you may pay lower transaction costs.

### **Products and services available to us from TD Ameritrade**

There is no direct link between Affiance Financial’s participation in TD Ameritrade’s institutional customer program and the investment advice it gives to its clients, although Affiance Financial receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research related products and tools
- Consulting services
- Access to a trading desk serving Affiance Financial participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Affiance Financial by third party vendors
- TD Ameritrade may also have paid for business consulting and professional services received by Affiance Financial’s related persons.
- Investment-related research, pricing information and market data, software and other technology that provide access to client account data,
- Compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events,
- Marketing support-including client events,
- Computer hardware and/or software and/or other products used by Affiance Financial in furtherance of its business operations.

Some of the products and services made available by TD Ameritrade through the program may benefit Affiance Financial but may not benefit its client accounts. These products or services may assist Affiance Financial in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Affiance Financial manage and further develop its business enterprise. The benefits received by Affiance Financial or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade and Affiance Financial’s clients do not pay more for investment transactions effected and/or assets maintained at TD Ameritrade as a result of the receipt of the above listed benefits. As part of its fiduciary duties to clients, Affiance Financial endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of

economic benefits by Affiance Financial or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Affiance Financial's choice of TD Ameritrade for custody and brokerage services. There is no corresponding commitment made by Affiance Financial to TD Ameritrade or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**Products and services available to us from Schwab**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like ours. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through our firm. 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 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 do not directly benefit you:* Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a 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
- Assist with back-office functions, record keeping, 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
- Consulting on technology and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.



**Our interest in TD Ameritrade's and Schwab's services**

The availability of the above listed complementary services from TD Ameritrade and Schwab benefits us because we do not have to produce or purchase them. The fact that we receive these benefits from TD Ameritrade and Schwab is an incentive for us to recommend the use of TD Ameritrade and Schwab rather than making such decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our recommendation of TD Ameritrade and Schwab as custodians and brokers is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of TD Ameritrade's and Schwab's services and not the services that benefit only us.

**Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers and custodians in which we have an institutional advisory arrangement. Also, we do not receive other benefits from a broker-dealer in exchange for client referrals.

**Directed Brokerage**

Affiance Financial recommends that its clients utilize the brokerage and custodial services provided by TD Ameritrade and Schwab. Affiance Financial generally does not accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Affiance Financial will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Affiance Financial. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event that the client directs Affiance Financial to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Affiance Financial. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**Order Aggregation**

Transactions for each client account generally will be effected independently, unless Affiance Financial decides to purchase or sell the same securities for several clients at approximately the same time. Affiance Financial may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Affiance Financial's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Affiance Financial will not receive any additional compensation or remuneration as a result of such aggregation.

For clients who are in need of a custodian for retirement plan services, Affiance Financial will recommend the services of T. Rowe Price, Vestwell, American Funds Plan Premier, and/or Vanguard. Factors that Affiance Financial considers in recommending these service providers include financial strength, reputation, pricing, and the quality of service. Affiance Financial conducts an initial due diligence on all such service providers prior to recommending them to clients.

**Affiance Financial's Chief Compliance Officer, Eric Unger, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any perceived conflict of interest such arrangements may create.**

## **Review of Accounts – Item 13**

Client accounts are continuously monitored and formally reviewed at least annually by the advisor representative assigned to the client (Steven Lear, Andrew Fishman, Kyle Berg, Marc Usem, Daniel Lear, Brendan Halleron, Tanner Steele, Chris Johnson, Michael Fishman, and Eric Unger). The review process will include: comparing the current asset allocation to the recommended asset allocation and evaluating the need for rebalancing, manager replacement or tax efficient management. Additional account reviews may occur due to any of the following circumstances: a more frequent review and monitoring engagement with the client, a specific client request, deposit or withdrawal of client funds, or a change in the client's stated goals or objectives.

Affiance Financial does not provide ongoing reviews of clients' accounts once the financial planning engagement has been completed, unless otherwise specifically engaged to do so by the client. Affiance Financial prepares reports for clients at every scheduled review meeting. The frequency of the meeting typically ranges from monthly to annually and the client can elect to have a hard copy of the reports for their records at no additional charge. Written reports are delivered to clients on a quarterly basis at no additional charge. Quarterly reports may include a message from Affiance Financial, beginning and ending market value, cash flows, performance, and portfolio composition. Accounts held through pcs Services are included as a convenience. Quarterly reports may reflect transactions in the process of settlement, whereas the statement from the qualified custodian may not. As a result, minor variations in account and/or position values may occur. Periodic reports are furnished to investment management clients and are not furnished to financial planning clients.

We will contact you at least once a year to review our Retirement Plan Services. It is important that you discuss any changes in the Plan's demographic information, investment goals, and objectives with your IAR. Plans may receive written reports directly from their IAR based upon the services being provided, including any reports evaluating the performance of Plan investment manager(s) or investments.

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

**Please see Item 12 above for information about additional benefits received by Affiance Financial for its recommendation of TD Ameritrade and Schwab for custody and brokerage services.**

Affiance Financial may receive additional compensation from various vendors, product providers, distributors and others. These providers may provide non-monetary compensation by paying some expenses related to training and education, including travel expenses, and attaining professional designations. Affiance Financial might receive payments to subsidize our own training programs. Certain vendors may invite us to participate in conferences, on-line training or receive publications that may further our skills and knowledge. Some may occasionally provide us with gifts, meals and entertainment of reasonable value consistent with industry rules and regulations.

If applicable, and in the event the payments, or non-monetary compensation, are received in connection with or as a result of the Retirement Plan Services, we will disclose such fees to Sponsors in accordance with ERISA and Department of Labor regulations.

### **Solicitors**

We pay an unaffiliated company, SmartAsset Advisors, LLC ("SmartAsset"), a solicitor, for client referrals. If you were referred to us by SmartAsset, we will pay them a one-time cash referral fee.

SmartAsset must comply with the registration requirements of the jurisdictions in which they operate. You will not pay additional fees because of this referral arrangement.

## Custody – Item 15

Affiance Financial will have the ability to deduct its advisory fee from the client's TD Ameritrade or Schwab account on a quarterly basis. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from TD Ameritrade and/or Schwab, at least quarterly

**Please Note:** To the extent that Affiance Financial provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Affiance Financial with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Affiance Financial's advisory fee calculation.

With respect to third party standing letters of authorization ("SLOA") where a client grants Affiance Financial the authority to direct custodians to disburse funds to one or more third party accounts, we are deemed to have custody pursuant to Rule 206(4)-2 (the "Custody Rule"). We have taken steps to implement controls and oversight, in order to comply with the no-action letter issued by the SEC on February 21, 2017 (the "SEC no-action letter"). Affiance Financial is not required to comply with the surprise examination requirements of the Custody Rule when in compliance with the representations noted in the SEC no-action letter. When we act pursuant to a SLOA, we believe we are making a good faith effort to comply with the representations noted in the SEC no-action letter. Additionally, since many of the representations noted in the SEC no-action letter involve the qualified custodian's operations, we will collaborate closely with TD Ameritrade and Schwab to ensure that the representations are met.

Affiance Financial will not serve as a custodian for Plan assets in connection with the Retirement Plan Services. Sponsor is responsible for selecting the custodian for Plan assets. We may be listed as the contact for the Plan account held at an investment sponsor or custodian. Sponsor for the Plan will complete account paperwork with the outside custodian that will provide the name and address of the custodian. The custodian for Plan assets is responsible for providing the Plan with periodic confirmations and statements. We recommend that Sponsor reviews the statements and reports received directly from the custodian or investment sponsor.

## Investment Discretion – Item 16

Generally, Affiance Financial offers investment management services on a discretionary basis. Clients must grant discretionary authority in the Investment Management Agreement. Discretionary authority extends to the type and amount of securities to be bought and sold and does not require advance client approval. Clients may limit our discretionary authority by giving us written instructions.

When providing Retirement Plan Services described herein, we may exercise discretionary authority or control over the investments specified in the Agreement. We perform these services to the Plan as a fiduciary under ERISA Section 3(21) and investment manager under ERISA Section 3(38). We are legally required to act with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. This discretionary authority is specifically granted to us by Sponsor, as specified in the Agreement (see also, Item 4 above).

## Voting Client Securities – Item 17

Affiance Financial does not have the authority to vote proxies on behalf of clients. Clients will receive

their proxies directly from the custodian or transfer agent. We will forward your proxies to you in the event we receive them. Questions about proxies may be made via the contact information on the cover page.

We have no authority or responsibility to vote any security held by the Retirement Plan or the related proxies. That authority is reserved by the Sponsor or trustee of the Plan.

## **Financial Information – Item 18**

Affiance Financial does not have financial circumstances to report and has not been the subject of a bankruptcy petition.

## **Requirements of State-Registered Advisors – Item 19**

**This section is intentionally left blank—Our firm is SEC registered.**

## **Miscellaneous**

### **Class Action Lawsuits**

Affiance Financial has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, the firm has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where the firm receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials, to the client. Electronic mail is acceptable where appropriate, and the client has authorized contact in this manner.

### **Privacy Policies**

Affiance Financial views protecting its clients' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the firm has instituted policies and procedures to ensure that customer information is kept private and secure.

Affiance Financial does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law or consented to by the client. In the course of servicing a client account, we may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

We restrict internal access to nonpublic personal information about its clients to those employees who need to know that information in order to provide products or services to the client. We maintain physical and procedural safeguards that comply with state and federal standards to guard a client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has been the firm's policy to not sell information about current or former customers or their accounts to anyone. It is also the firm's policy not to share information unless required to process a transaction, at the request of the client, or as required by law.

A copy of the firm's privacy policy notice will be provided to each client prior to, or contemporaneously with, the execution of the Investment Management Agreement or Financial Planning Agreement. Thereafter, the firm will deliver a copy of the current privacy policy notice to its clients on an annual

basis. **ANY QUESTIONS: Affiance Financial's Chief Compliance Officer, Eric Unger, remains available to address any questions regarding this Part 2A** at (952) 253-2588 or [eric.unger@affiancefinancial.com](mailto:eric.unger@affiancefinancial.com).