

# Stevens, Foster Financial Services, Inc.

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## Form ADV Part 2A

March 2023

This Brochure provides information about the qualifications and business practices of Stevens, Foster Financial Services, Inc. If you have any questions about the contents of this Brochure, please contact us at 952-843-4200 or Bill Stevens at [bills@stevensfoster.com](mailto:bills@stevensfoster.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Stevens, Foster Financial Services, Inc. is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information with which you determine to hire or retain an Adviser.

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

## **Item 2        Material Changes**

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Since the date of our last annual Brochure dated, March 2022, Stevens, Foster Financial Services, Inc. doing business as Stevens Foster Financial Advisors (herein after “Stevens Foster”) has not had any material changes.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year December 31. We may further provide other ongoing disclosure information about material changes as necessary based on changes or new information or at your request, at any time, without charge.

Currently, our Brochure may be requested by contacting Bill Stevens at 952-843-4200 or [bills@stevensfoster.com](mailto:bills@stevensfoster.com).

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**Firm Description and Types of Advisory Services**

Since 1988, Stevens Foster has provided integrated financial services to high net worth individuals who seek qualified and objective assistance in creating, transferring and spending their wealth. Using a customized, coordinated approach to financial planning, we consolidate all aspects of our clients' financial lives: strategic planning, income and estate tax planning, risk management, portfolio analysis and wealth management. The key to our service is in the integration of all these factors of wealth management under one roof.

At Stevens Foster Financial Advisors we recognize that quality of life is comprised of many factors, financial resources being just one of them. We believe that one of the most precious of assets is time. Stevens Foster assists busy, high net worth individuals, business executives and small business owners to use their time wisely. Our unique combination of services provides clients with strategies to maximize and enhance wealth efficiently and effectively.

We believe that wealth is accumulated not simply by making sound investments choices, planning for the future and structuring income to minimize taxes: wealth is accumulated by doing all three expertly and consistently. The key to our singularity lies in our integration of all the disciplines of wealth management under one roof.

Stevens Foster is an independent firm offering comprehensive financial planning services and investment management without bias toward any financial product or retailer. Our own in-house investment team provides independent, objective and research-based information that we use to customize financial plans and investment portfolios for each client.

We have a particular focus in the area of executive benefits and incentives that allows us to provide enhanced service to Section 16 officers and corporate officers. We are able to effectively integrate our clients' corporate benefits with their personal financial plans and to assist them in maximizing the growth opportunities within their corporate benefits plans, particularly stock compensation, stock options, 401(k), pension plans and deferred compensation plans.

We believe that structuring income to take full advantage of tax reduction opportunities is an integral part of wealth management. Our staff of tax professionals work with clients throughout the year putting strategies in place to manage tax liabilities, as well as applying our understanding of the complexities of tax law in preparing returns.

### **Principal Owner**

William H. Stevens established Stevens Foster in 1988 and remains the majority shareholder.

### **Managed Assets**

As of year-end 2022, Stevens Foster managed \$425,859,138 in discretionary assets, with total assets under advisement of \$576,450,366.

## **Item 5 Fees and Compensation**

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Stevens Foster's fees and compensation are fully transparent. The details of how Stevens Foster's compensation is calculated and charged is clearly documented in the written Agreement signed with each client.

### **Financial Planning and Tax Service Fees**

Services at a fixed or hourly fee are established upon execution of the Financial Planning/Tax Services Agreement. Stevens Foster's fee schedule is based upon the time estimated to gather information and prepare the financial plan, the complexity of the planning case and/or tax return, special circumstances or services and the amount of research involved to create the financial plan or file the tax return. Financial Planning/Tax Service fees typically fall within a range of \$750 to \$25,000.

### **Asset Based Fees**

Investment management services are established upon execution of the Asset Management Agreement. Accounts managed by Stevens Foster are charged based on a percentage of assets under management. The asset management fee percentage vary due to the scope and extent of services provided, along with the value of the managed accounts. Annual tiered asset management fees typically range between .30% and 1.00%. Fees are billed monthly, based on the prior month's account values, and collected in advance.

### **Outside Costs**

Steven Foster's fees are exclusive of third-party brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by a client. Clients incur certain charges imposed by custodians, brokers, third-party asset managers and other third-parties such as; fees charged by asset managers, custodial fees, deferred sales charges, odd-lot differentials, wire transfer and electronic fund fees, banking charges (if assets are held by a bank custodian), and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Steven Foster's fee. Stevens Foster does not receive any portion of these commissions, fees and costs. If a desired investment product were to have a commission or load that can be waived in favor of the client, Stevens Foster may advocate for this on behalf of the client. For more information, refer to Item 12 *Brokerage Practices*.

### **General Information about Fees**

Agreements may be terminated by either party, without penalty, upon written notice. For fees payable in monthly or quarterly installments, a refund of any collected but unearned fees would be provided upon termination.

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

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Stevens Foster does not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client) or side-by-side investment strategies (simultaneous management of a mutual fund and/or a hedge fund by an advisory practice), because we believe that creates an unintentional conflict of interest with clients.

## **Item 7           Types of Clients**

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Stevens Foster provides advisory services, to the following types of clients: individuals, high net worth individuals, corporate officers and insiders, Section 16 officers, small business owners, family trusts and foundations.

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

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Stevens Foster believes in broadly diversified investment solutions customized to reflect unique client circumstances. In partnership with our clients, we take a disciplined approach to investment management, with particular attention to risk management, diversified asset allocation, manager selection, tax consequences and fee considerations. We manage the balance sheet. When making investment recommendations, Stevens Foster takes into account a client's total financial picture, including assets already owned, assets not managed by Stevens Foster (if engaged), liquidity needs, goals and risk tolerance.

Stevens Foster develops an overall financial strategy, identifies the asset management resources ideally suited to our clients' needs, and manages the allocation of client assets among those resources. Stevens Foster's investment team is available to work with the client advisory teams to construct asset allocation plans and recommendations customized to address each individual client situation. When asset allocation plans are finalized, money managers or passive strategies for each asset class are recommended or selected.

To provide guidance in the face of dynamic market environments, Stevens Foster's Investment Committee leverages our network of research and analytical tools. We also use the expertise of external due diligence resources to cover traditional and alternative investment strategies. This provides our foundation for manager selection and asset allocation. Investment manager selection for any asset class focuses on the three major drivers for success of any good asset manager: people, investment process and risk-adjusted performance. When evaluating asset managers, Stevens Foster monitors:

- Firm and product asset size and trends
- Changes to investment teams

- Adjustments made to an investment process
- Style consistency
- Performance and risk trends relative to our expectations

Stevens Foster believes strongly that the best outcome is achieved via a partnership with the client that is founded on a mutual understanding of Stevens Foster's investment process. This includes thorough discussions about how and why the portfolio is constructed to meet the client's unique objectives of risk and return.

Stevens Foster works diligently to manage risk in client portfolios, providing no assurance that an investment will provide positive performance over any specific period of time and that past performance, while important, is no guarantee of future results. During different periods, market conditions may also result in significantly different outcomes.

Listed below are specific types of risk each client should understand, as they may be applicable to unique underlying investment assets in a portfolio:

**Market Risk:** The market values of securities owned may decline, at times sharply and unpredictably. Market values are affected by a number of different factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, and decreased demand for an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity.

**Economic Risk:** Changes in economic conditions, for example, interest rates, inflation rates, political and diplomatic events and trends, tax laws and innumerable other factors, can substantially and adversely affect investments.

**Asset Allocation Risk:** Asset Allocation may have a more significant effect on account value when one of the heavily weighted asset classes is performing more poorly than the others. Diversification and strategic asset allocation do not assure profit or protection against loss in declining markets.

**Concentrated Position Portfolio Risk:** To the extent a portfolio has a significantly large position in a single security or several securities it bears more risk because it is not diversified. Changes in the value of significantly over-weighted security positions may have a much more substantial directional effect, either negative or positive, on the portfolio's performance.



**Emerging Foreign Market Risk:** Investments in the securities of foreign issuers may experience more rapid and extreme changes in value than funds with investments solely in securities of U.S. companies. This is because the securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, foreign securities issuers may not be subject to the same degree of regulation as U.S. issuers. Reporting, accounting and auditing standards of foreign countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, political changes or diplomatic developments could adversely affect investments in a foreign country.

**Fixed Income Risk:** Securities that provide for interest or a stream of payments to the investor have several risks including interest rate risk, which is the chance that bond prices overall will decline because of rising interest rates; income risk, which is the chance that a strategy's income will decline because of falling interest rates; credit risk, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline; and call risk, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The investment would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the investment's income.

**Alternative Investment Risk:** Alternative investments, such as hedge funds, private equity and real estate create exposure to markets and investment strategies that cannot be accessed through traditional fixed income and equity markets and may result in a lack of liquidity if there is no secondary market for alternative investments. Alternatives are exposed to potential loss of all or a substantial portion of the investment due to leverage (borrowing that may involve using assets as collateral), short-selling or other more speculative investment practices. Returns may be volatile, there may be delays in tax reporting and there are typically restrictions on transferring interests.

**Derivative Exposure Risk:** For some clients Stevens Foster's recommended investment strategies may include exposure to derivatives. The uses of these investment strategies carry various risks depending on the type of derivative. An example could be options to buy or sell securities at specific prices.

**Cash Management:** For clients with known liquidity needs, our approach is to set aside 12-18 months of cash or cash equivalents outside of their managed portfolio.

## **Item 9            Disciplinary Information**

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Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Stevens Foster or the integrity of our management. Stevens Foster and our management personnel have had no reportable disciplinary events.

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

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The principal business of Stevens Foster is to provide financial planning and investment management services. As part of a financial plan, it may be recommended that insurance coverage would be purchased or modified. Some employees of Stevens Foster maintain licenses to sell life and long term care insurance products through various companies. If a policy is sold by a licensed employee, Stevens Foster would receive a commission from that sale. Commissions for insurance products could be earned in addition to contracted advisory fees. Clients may be referred to other agents for insurance products including life, health, disability or property and casualty, in which case Stevens Foster does not receive any direct compensation.

## **Item 11           Code of Ethics**

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The Investment Advisers Act of 1940 (“The Act”) and the Department of Labor (“DOL”) Fiduciary Rule impose a fiduciary duty on investment advisers. As a fiduciary, Stevens Foster has a duty of utmost good faith to act solely in the best interests of our clients. Our clients entrust us with their money and financial future, which in turn places a high standard on our conduct and integrity. Our fiduciary duty, according to The Act and the DOL Fiduciary Rule compel all employees to act with the utmost integrity in all of our dealings. This fiduciary duty is the core principle underlying this Code of Ethics and Personal Trading Policy, represents the expected basis of all of our dealings with our clients and is reviewed annually with all Stevens Foster employees. For a complete copy of the Code, please contact Bill Stevens at 952-843-4200 or email [bills@stevensfoster.com](mailto:bills@stevensfoster.com).

The Code requires all employees to comply with all applicable federal security laws and prohibits misuse of material non-public information or communicating material nonpublic information to others in

violation of the law. Under applicable law, Stevens Foster employees are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client. Accordingly, should any personnel come into possession of material non-public or other confidential information with respect to any company, such personnel are prohibited from communicating such information to, or using such information for the benefit of, their respective clients. We have established procedures to aid employees in avoiding insider trading, and to aid us in preventing and detecting insider trading.

Our officers and employees do now and are expected in the future to have interests in securities that may be recommended to a client. This creates a conflict to the extent that an employee could use the knowledge about pending or currently considered client securities transactions to profit in personal securities transactions. For example, an employee who is aware of an upcoming client purchase of a security that might increase the price of that security could use that knowledge to buy the security before the client account buys the security and then sell the security and reap a profit. We address this conflict using the procedures and restrictions discussed below.

Personal securities transactions by employees of Stevens Foster are subject to the restrictions and procedures described in the Code. No employee or person acting on his or her behalf, shall act in such a way as to benefit from the knowledge that a Stevens Foster employee has taken, or is considering taking, on an investment position in a security where such an action is likely to influence the market price of that security. The Code requires employees to pre-clear and obtain authorization before executing personal trades for certain security types.

To ensure the standards of the Code are adhered to, the Code requires all employees to submit a transaction report quarterly and a holdings report annually.

## **Item 12      Brokerage Practices**

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Stevens Foster has selected Nation Financial Services LLC, Fidelity Brokerage Services LLC (together with all affiliates, “Fidelity”), and Charles Schwab & Co., Inc. (“Schwab”) to provide Stevens Foster with “platform” services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support advisory firms like Stevens Foster

in conducting business and in serving the best interests of their clients but that may also benefit Stevens Foster.

Stevens Foster has selected these custodians based upon a number of factors including reputation, financial strength, breadth of available investment products, competitiveness of price, and a combination of transaction execution services and custody services.

Fidelity and Schwab charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Both Fidelity and Schwab enable Stevens Foster to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. The commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity and Schwab may be higher or lower than those charged by other custodians and broker-dealers.

Fidelity and Schwab also make available to Stevens Foster, at no additional charge to Stevens Foster, certain research and brokerage services. These research and brokerage services may be used by Stevens Foster to manage accounts for which Stevens Foster has investment discretion. As a result, Stevens Foster may have an incentive to continue to use or expand the use of Fidelity's and Schwab's services. Stevens Foster examined this potential conflict of interest when it chose to enter into the relationships with Fidelity and Schwab and has determined that the relationships are in the best interests of Stevens Foster's clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Stevens Foster determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. Consistent with our fiduciary obligation in seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services including, among other things, the value of research provided, execution capability, commission rates, access to products, and responsiveness. Accordingly, although Stevens Foster is mindful of rate competition, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by Stevens Foster will generally be used to service all of Stevens Foster's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

Stevens Foster is independently owned and operated and is not affiliated with Fidelity or Schwab.

Please reference Item 10, *Other Financial Industry Activities and Affiliations*, for additional information.

### **Item 13      Review of Accounts**

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Managed accounts are monitored daily by members of the investment team. Additional reviews may be held based upon economic and/or market changes or at the client's request. The purpose of the daily monitoring and review is to analyze and monitor the performance and portfolio allocation for each client.

Performance reports from Stevens Foster may be provided to clients quarterly that reflect the current value and the historical performance of the client's portfolio. Additionally, clients will be provided with account statements directly from their custodian. Our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

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

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Stevens Foster does not participate in any client referral program with outside solicitors. Please reference Item 10, *Other Financial Industry Activities and Affiliations*, for additional information related to other compensation.

### **Item 15      Custody**

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Custody is a term used to describe the role of the entity that maintains and reports on investment assets held in client accounts. These services are typically provided by brokerage firms or banks. The role of a qualified custodian is highly specialized, independently protecting each client's assets in a role that complements the responsibilities of an advisory firm like Stevens Foster. There are instances where Stevens Foster is deemed to have custody even though assets are held with a qualified custodian. Specifically, Stevens Foster has custody when we have been provided with client password access on specific client accounts which allow us to direct a qualified custodian to withdraw funds or exchange securities. In these scenarios, Stevens Foster has an additional obligation to contract with an approved public accounting firm to conduct an external annual surprise exam of these activities.

Aside from these specific situations, Stevens Foster does not have custody of your assets, except in those instances where you have authorized the automatic deduction of periodic advisory and planning or tax fees directly from your account. If you wish to elect automatic payment of advisory fees from your account, you must authorize this election in the advisory contract and the qualified custodian will remit the fees directly to Stevens Foster and record a debit transaction on your quarterly account statement.

Clients receive at least quarterly account statements from the broker dealer, bank or other qualified custodian that holds and maintains investment assets. Stevens Foster urges each client to carefully review such statements and compare such official custodial records to the performance reports provided by Stevens Foster. Any differences or inaccuracies should be reported immediately.

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

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Stevens Foster usually receives discretionary authority from the client at the outset of an asset management relationship to select the identity and amount of securities to be bought or to make changes in a client's investment portfolio without client approval. Discretionary authority would be specifically granted by the client in the Asset Management Agreement. In all cases, however, Stevens Foster exercises such discretion in a manner consistent with the stated investment objectives for the particular client account, observing the investment policies, limitations and restrictions of each particular client, which must be provided to Stevens Foster in writing.

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

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Stevens Foster does not vote client security proxies. Clients will receive their proxies or other solicitations directly from their custodian.

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

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Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Stevens Foster's financial condition. Stevens Foster has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

