

## ITEM 1 – COVER PAGE

**INDEPENDENT [ FINANCIAL ] PARTNERS®**

# WRAP FEE PROGRAM BROCHURE

## IFP ADVISORS, LLC

DOING BUSINESS AS INDEPENDENT FINANCIAL PARTNERS

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This Wrap Fee Program (“Program”) Brochure provides information about the qualifications and business practices of IFP Advisors, LLC., doing business as Independent Financial Partners (“IFP”), an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). Registration does not imply a certain level of skill or training. If you have any questions about the contents of this Brochure, please contact us at 813-341-0960.

The Plan Program may cost more or less than purchasing investment advisory, brokerage, and custodial services separately, depending upon the separate costs of such services and the trading activity in the client’s account.

Additional information about IFP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

### ITEM 2 – MATERIAL CHANGES

Since the last version of this Brochure dated August 2022, there have been no new material changes.

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### ITEM 4 – SERVICES, FEES AND COMPENSATION

IFP Advisors, LLC, doing business as Independent Financial Partners (“IFP”), has been a Registered Investment Adviser (“RIA”) with the Securities and Exchange Commission (“SEC”) since 2008. IFP’s direct, majority owner is IFP Group, LLC, and indirect owner, through IFP Group, is WKW Enterprises.

#### Generally

IFP’s service models can be depicted as follows:

Rep as Portfolio

Rep as Non-Discretionary Advisor

IFP Centralized Asset Management/Models

IFP as Sub-Advisor & Co-Advisor

Third Party Asset Managers ("TPAMs")

Financial Planning, Generally

Pension and Retirement Planning & Consultancy

IFP conducts its investment advisory business through a network of independent Investment Adviser Representatives (“IARs”) who operate offices located throughout the United States. While we oversee the way your accounts are established and the transactions in them, we do not dictate the products, platforms, or services your IAR recommends to you within the scope of available options IFP makes available to your IAR. Some IARs will operate under their own business name(s) or Doing/Business/As (“DBA”) name(s). Such DBA names may be registered companies or registered trades names in their respective States, but such entities are not registered to conduct investment advisory services themselves; investment advisory services are provided through IFP. The business name(s) and DBA name(s) used by the IARs are separate from IFP. The purpose of using a name other than IFP is for your IAR to create a brand that is specific to the IAR and/or office from which the IAR or group of IARs operate. Such IARs also offer and provide other services through their DBA name(s), which are outside the scope of services provided by IFP. However, as stated above, all investment advisory services conducted by IARs are provided through IFP.

IFP offers a variety of investment advisory platforms, custodians, and brokers, including our own affiliated broker-dealer, IFP Securities, LLC, Member FINRA/SIPC/MSRB, doing business as Independent Financial Partners. Many of our IARs are also dually registered as Registered Representatives (“RRs”) and solicit, offer and sell securities through IFP Securities, an affiliated, introducing broker-dealer whose accounts are held at Pershing, LLC (“Pershing”). Please refer to the Brokerage Practices section for additional information regarding our broker-dealer affiliate.

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Please refer to the Brokerage Practices section for additional information regarding our broker-dealer affiliate.

If you wish to contract with IFP and IAR for asset management services, you are required to use only those broker-dealers and custodians approved by IFP. IFP recommends broker-dealers and custodians based on relationships that have been established. As stated elsewhere herein, IFP has an affiliated broker-dealer, IFP Securities. As such, IFP uses IFP Securities for broker-dealer services, which uses Pershing, LLC (“Pershing”) to clear and settle transactions, hold such securities positions in custody and other account assets, including cash. For accounts networked by IFP apart from those of its affiliated broker/dealer, IFP has direct relationships with Qualified Custodians, consisting of Schwab, Pershing Advisory Services (“PAS”), Fidelity Institutional Wealth Services (“FIWS”), TD Ameritrade Institutional (“TD”) and SEI<sup>1</sup>, which provide brokerage execution through their own broker/dealer(s).

IFP enables its IARs to utilize many different avenues to provide personalized investment advisory services to you. These services include financial planning and consulting services, referrals to third-party asset managers, investment advice/management by the IAR and investment advice/management by IFP personnel in the Home Office.

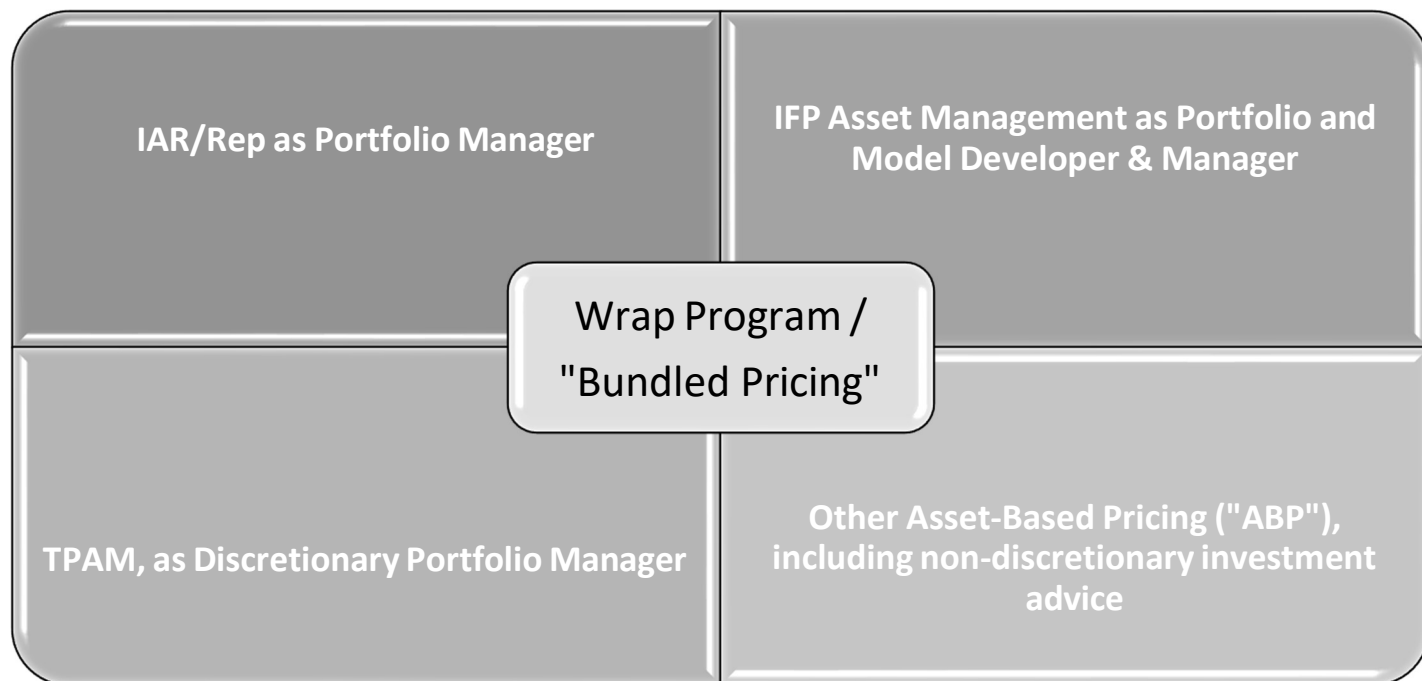
IFP’s recommendations and services are provided based on your specific needs. Investment strategies and philosophies differ among IARs who are responsible for determining and implementing their own investment advice under the supervisory controls of IFP.

You and your IAR will discuss your financial goals, investment objectives, investment experience and time horizon, among other factors specific to your financial situation. You are given the ability to impose written restrictions on your accounts, including specific investment selections and sectors. When you impose these restrictions, IFP will make best efforts to honor those restrictions. For this reason, it is important you understand that IFP performs advisory and/or brokerage services including investment reporting for various clients, and that we give advice or take actions for clients other than you that differ from the advice given to you.

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## Services

In general terms, IFP's service models that can be packaged as bundled pricing for ongoing advisory or management services (continuous and regular supervisory services) include:



IARs construct investment advisory and management approaches for each client based upon an analysis of your individual/specific investment objectives, risk tolerance, time horizon, liquidity needs, etc. Sometimes that analysis is embodied within an Investment Policy Statement and/or a Risk Tolerance Questionnaire. The resulting investment plan is based upon the professional assessment and judgment of the respective IAR as viewed through the prism of what is in your Best Interest. In determining how you may be/should be invested, various asset types are available and include, but are not limited to, mutual funds, ETFs, equities, fixed income securities, options, variable annuities, variable universal life insurance, money market funds, cash and cash equivalents, etc. Alternative investments include, but not limited to, private placements, generally, Real Estate Investment Trusts, Structured Products, etc., and may be held within the account as a convenience to the Client, or they are purchased at Net Asset Value and included within the managed portfolio and AUM fee billing.

IFP is generally compensated by fees calculated as a percentage of assets under management ("AUM fees") and may also on occasion be compensated through fixed-fee arrangements. Fees that are calculated as a percentage of AUM are generally charged quarterly in advance or arrears, depending upon the agreement with you, the client, based upon the average daily balance of the AUM, including money market and other cash equivalent assets, during the relevant billing period.<sup>1</sup>

IARs provide asset management services through both Wrap Fee programs and traditional management programs. Investment advisers providing continuous and regular supervisory/advisory services generally either charge an AUM fee and also pass along or charge transaction and account fees to the client, or charge an AUM fee, wherein such transaction and account fees are absorbed by the firm and not charged to the client. Such accounts are referred to as a Wrap Fee

<sup>1</sup> Uninvested cash balances should generally not be subject to AUM fees, unless there is material portion of such balance that is relatively short-term or the IAR can demonstrate active management of the entire portfolio strategy, of which a certain and varying level of cash balances are being regularly reviewed and reassessed.

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Account/Program and, as regulations require that we furnish this document to you. In other words, for accounts subject to an AUM fee, IFP either charges for all of its investment advisory services within the single AUM fee, inclusive of transaction costs, or charges its AUM fee and separately charges you transaction costs. Such additional charges in a non-Wrap Fee program include fees such as ticket fees, usage or service fees for each transaction (e.g., buy/sell/exchange) or account usage or service fees by IFP, its custodian and/or our affiliated introducing broker-dealer, IFP Securities.

IFP charges AUM/bundled pricing for accounts held at one of our Qualified Custodians and accounts managed by 3<sup>rd</sup> party asset managers. In a Wrap Fee account, IFP does not pass along or otherwise charge transaction charges. While under a Wrap Fee program advisory services and transaction services are provided for one fee to the client, from a management perspective, there is not a fundamental difference in the way an IFP IARs manage Wrap Fee accounts versus traditional managed/unbundled account situations. Once again, the significant difference is the way in which transaction services are paid. The purpose of this Wrap Fee Brochure is, among other things, to alert you about the features of the service, conflicts-of-interest and the fact that because the Wrap Fee “bundles” all services and transactions into 1 cost, it could quite possibly result in higher overall fees assuming a certain level of transactions and other services that you may want or experience in your account. In fact, Wrap Fee accounts are generally considered as more expensive as compared with an account with an unbundled pricing structure across various level of activity.

The maximum fee for Wrap accounts is 2.5% if a TPAM is used or 2% if IFP or an IAR of IFP serves as the portfolio manager. Such fee coincides with IFP’s maximum fee, regardless of whether the account is a Wrap Account, but notably, a non-Wrap fee arrangement is more likely to be less than 2.5% (with TPAM)/2% (without TPAM) on average because transaction costs and other service costs are paid in addition to the investment advisory fee. Under a Wrap Fee program, **advisory services and transaction services are provided for one fee to the client. You may be able to get the same services, paying separate fees for each service, at a lower aggregate fee to you.** You should discuss with your IAR whether a Wrap Fee program would be better or worse for you considering the level of transactions and other service needs you have.

Notwithstanding the foregoing, investment advisory products include investment advisory products proprietary to or administered by third-party service providers which, among other things, allows IFP Clients to access portfolio managers participating in our Custodian's Advisory Product platforms for purposes of managing trading activity in a Client’s Wrap Fee account. Services offered by Wrap Sponsors/Custodians will include all custodial functions customarily performed with respect to such accounts including, but not limited to, back-office support, execution of securities transactions (when applicable), crediting of interest and dividends and periodic reporting, which reports the respective Custodian will send directly to the Client.

A Client who participates in a Wrap Fee Program should consider that, depending on the level of the Wrap Fee charged, the amount of portfolio activity in the Client’s account, the value of the custodial and other services which are provided under the arrangement, as well as other factors, the Wrap Fee may or may not exceed the aggregate cost of such services if they were to be purchased separately. Because the Wrap Fee may be greater than would have been the case if the Client paid separately for investment advice and brokerage and other services or participated in another program, IFPs may have an incentive to recommend the Wrap Programs over alternative programs or over the purchase of such services separately, including with respect to mutual funds, collective investment vehicles, or other assets that may be contained within a Wrap Fee Program account and which may be purchased on an individual basis through IFP Securities’ standard brokerage services.

IFP will share its portion of the Wrap Fee it receives with the IFP IAR for the Client’s account (“Fee Split”). The payment by IFP of compensation to IAR will not affect the amount of the Fee charged to Client’s account. The amount of such compensation may be greater than what the IFP IAR would receive if the Client purchased separately IFP’s brokerage or other services. However, such personnel may, therefore, have a financial incentive to recommend these products over other products, programs, or services. See “Conflicts of Interest” section herein.

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## Management of your Portfolio

Within IFP, portfolio management is handled in one of three ways. First, IARs serve as portfolio managers. Second, IFPAM serves as the portfolio manager. Third, TPAMs serve as portfolio managers. Collectively, such investment advisory services may be referred to herein as the “Program.”

See IFP’s ADV 2A Brochure for more detail on IFP Asset Management’s (“IFPAM”) program. Also, if you utilize a TPAM, see the TPAM’s for a description of their services. Whether or not the IAR or IFPAM serves as the portfolio manager, the IAR establishes whether the Client account should be priced to separate the investment advisory fees from the ticket fee, other transaction and account costs, or whether the Client account should be priced as an aggregated fee to include ticket fees, other transaction and account costs. The latter may also include situations where such fees are charged by the Qualified Custodian/Clearing Firm, but where IFP/IFP Securities pays for those fees itself (absorbs the fees). In situations where the Qualified Custodians offer “asset-based pricing”, then no such transaction costs need be absorbed by IFP, and the Client also would not pay for transaction costs. To cover transactions occurring within accounts, each Qualified Custodian has asset-based pricing as an alternative, and some of them have both asset-based pricing and transaction-based pricing. In the case where Qualified Custodians utilize an asset-based pricing model, such pricing programs may cover only a portion of their securities (e.g., asset-based pricing for stocks and ETFs, but not for other assets), while retaining transaction-based pricing for other securities (e.g., traditional mutual funds).

All clients in the Program shall grant IFP or a TPAM either (i) discretionary authority to buy, sell, and otherwise trade in the type of securities for their account and to liquidate previously purchased securities that the Client has transferred to their Account(s), or (ii) non-discretionary authority, in which case their role is advisory-only.

In order to have trading authorization on your account, you must grant your IAR limited power of attorney over your account. This can be done by executing an IFP investment advisory agreement or via other legal documents such as a Limited Power of Attorney.

Assets in the Client’s Account subject to discretionary management shall be managed by one of IFP’s IAR (in the “field”, from the IFP Home Office or otherwise by a TPAM) according to an investment strategy, taking into account your individual needs, objectives and risk tolerance, and may also utilize an Investment Policy Statement or Risk Tolerance Questionnaire. The terms and conditions under which the Client shall engage the IAR may be set forth in separate written agreement between the Client and IFP or a tripartite agreement between IFP, the Client and the designated IAR. Also, TPAMs would have their own contracts and, in the cases where you elect to utilize a TPAM, you will be expected to sign a contract with IFP and another one with the TPAM.

IFP shall continue to render advisory services to the Client relative to the ongoing monitoring and review of account performance, for which IFP shall receive an AUM fee. IFP, its IARs and TPAMs provide investment management services, defined as giving continuous and regular investment advice to a Client and making investments based on a Client’s individual needs through advisory accounts. In this Program, IARs, IFPAM and/or the TPAMs, as appropriate, are responsible for determining investment recommendations and, depending upon the scope of the engagement, are responsible for implementing transactions with or without your prior approval.

If you wish to contract with IFP and IAR for asset management services, you are required to use only those broker-dealers and custodians approved by IFP. IFP recommends broker-dealers and Qualified Custodians based on relationships that have been established. Brokerage transaction may occur in your accounts through the following ways: (i) since IFP has an affiliated broker-dealer, IFP Securities, it may utilize IFP Securities and its clearing firm, Pershing, to have transactions executed, (ii) IFP may have its Qualified Custodians that provide services directly for IFP rather than IFP Securities to execute transactions themselves or through their broker/dealer relationships/network of broker/dealers or (iii) TPAMs may utilize either IFP/IFP Securities’ Qualified Custodians/Clearing Firm’s relationships/network of broker/dealers, or the TPAM may utilize their own Qualified Custodians’ relationships/network of broker/dealers. Otherwise, you may request the use of such other broker/dealers that you desire, although such “Directed Brokerage” requests are generally not



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honored due to Best Execution and operational reasons.

IFPAM offers a variety of model portfolios from which investors or their IARs may choose. IFPAM model portfolios are created and managed on a discretionary basis by IFPAM. In instances where your IAR utilizes IFPAM, your IAR will help you determine which IFP models are best suited for you based on your risk profile, investment objectives, needs and other criteria, leaving the actual trading decisions to IFPAM's investment management team. IFPAM offers a variety of model portfolios with varying investment product types. On a case-by-case basis, IFPAM also offers to manage portfolios according to models that an IAR may provide.

In situations where the IAR serves as the portfolio manager, models and strategies used by one IAR are different than strategies used by other IARs. Some IARs limit your advice to mutual funds, whereas others will provide advice on a broad range of securities. They could also be purchased by IARs, jointly serving as RRs, for a commission, but any such commission-based transactions should either render the resulting assets as excluded from AUM/advisory billing, or such assets should qualify for the aging methodology otherwise described herein; namely, purchased only after a sufficient period of time has passed prior to levying AUM fees for securities purchased for a commission. Some IARs develop models or strategies that are less actively managed or based upon clients with similar investment objectives.

The purpose of this Wrap Fee Brochure is, among other things, to alert you about the features of the service, conflicts-of-interest and the fact that because the Wrap Fee "bundles" all services and transactions into one cost, it could quite possibly result in higher overall fees assuming a certain level of transactions and other services that you may want or experience in your account. The maximum fee for Wrap accounts held at Schwab is 2% for accounts managed by IFP and 2.5% for accounts managed for any TPAM utilized by IFP.

Under a Wrap Fee program, because **advisory services and transaction services are provided for one fee to the client, you may be able to get the same services by paying separately for each service, resulting in a lower aggregate fee to you.** You should discuss with your IAR whether a Wrap Fee program would be better or worse for you considering the level of transactions and other service needs you have.

### Benefits & Suitability Considerations

#### Pros

The benefits under a Wrap Fee program depend, in part, upon the size of the account, the costs associated with managing the account and the frequency or type of securities transactions executed in the account. For example, a Wrap Fee program may not be suitable for all accounts, including but not limited to accounts holding primarily, and for any substantial period of time, cash or cash equivalent investments, fixed income securities or no-transaction-fee mutual funds, or any other type of security that can be traded without commissions or other transaction fees. In order to evaluate whether a Wrap or bundled fee arrangement is appropriate for you, you should compare the agreed-upon Wrap Program Fee and any other costs associated with participating in our Wrap Fee Program with the amounts that would be charged by other investment advisers, broker-dealers, and custodians, for advisory fees, brokerage and execution costs, and custodial services comparable to those provided under the Wrap Fee Program.

#### Cons

Once again, under a Wrap Fee program, because **advisory services and transaction services are provided for one fee to the client, you may be able to get the same services by paying separately for each service, resulting in a lower aggregate fee to you.** You should discuss with your IAR whether a Wrap Fee program would be better or worse for you considering the level of transactions and other service needs you have.

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## Custodian – Specific Considerations<sup>2</sup>

### Schwab Platform

For the assets held at Schwab, IFP utilizes a Wrap Fee pricing methodology.

Schwab provides various benefits for investment managers and their clients. Such benefits include products, product & account services, administrative services, and information and resource services. IFP maintains primary responsibility to communicate with its Clients, except for Clients that Schwab may refer to IFP through Schwab Advisor Network<sup>®</sup>. Schwab, however, has a responsibility to communicate with IFP Clients via the issuance of account Statements and trade confirmations.

Schwab will execute orders that IFP or its Clients place, provided it receives securities or property in good deliverable form prior to settlement. Unless IFP or the Client specifies that the order be executed in a specific exchange or market, and Schwab has agreed to such execution, Schwab will, at its sole discretion, execute any order to purchase or sell securities in any location or on any market or exchange where such security is traded. Schwab will assume that all orders, unless specified otherwise, are “long.” All transactions are subject to Schwab’s house trading rules and policies and applicable rules, regulations, customs and uses of any exchange, market, clearing house or self-regulatory organizations.

Schwab will make available to IFP price and other market data information upon reasonable request. Schwab obtains market data from industry sources that it deems to be reliable, but the accuracy, completeness, timeliness or correct sequencing of the market data cannot be guaranteed.

As with the fee debiting procedures for IFP clients in general, Schwab will directly debit the Clients’ accounts, subject to certain control procedures, including, but not limited to, receipt of Client’s written authorization to debit the account. IFP will submit invoices to Schwab for the amount of fees to be charged.

As with securities custodians generally, Schwab retains a security interest, lien on and right to set-off investment management fees payable by Clients to Schwab for the benefit of IFP, and such rights pertain to all securities, money or other assets held in the Account, including proceeds from such assets.

IFP pays Schwab a single asset-based fee in lieu of transaction-based commissions. The fees we pay Schwab are assessed on certain assets in your account(s) at Schwab. We have a conflict of interest because we have a financial incentive to maximize our compensation by seeking to reduce or minimize the total costs incurred in your account(s) subject to a Wrap Fee.

### Schwab Managed Account Services

Schwab’s Managed Account Services consist of the Managed Account Select<sup>®</sup> (“Select Program”) and the Managed Account Access<sup>®</sup> Program (“Access Program”). Both of these programs are jointly referred to as the “Sponsor Programs.” The other managed account services are referred to as the Managed Account Marketplace<sup>®</sup> (“Marketplace”).

The Managed Account Services include brokerage, custody, and related services that allow participating clients to engage money managers to provide discretionary investment portfolio advisory services to designated accounts opened and maintained at Schwab. In the Sponsored Programs, Schwab acts as a program sponsor. In the Select Program, Schwab provides research on a select group of managers. In the Access Program, by contrast, Schwab does not undertake to

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<sup>2</sup> Each custodian has its specific operational and program parameters. These details on Schwab are provided as a convenience, but please review the particulars of any Qualified Custodian used for asset-based pricing services.

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perform any screening or due diligence in the acceptance of managers participating in that Program, and managers participating in the Access Program may or may not be affiliated with Schwab. The fee for Schwab's brokerage, custody, research and other services in the Sponsor Programs is bundled with the managers' fees for their portfolio management services.

Marketplace contains a relatively more extensive list of managers whose portfolio management services are available through Schwab. Schwab does not act as a sponsor in relation to the Marketplace, and its compensation for Marketplace services is separate from the manager's fee. Marketplace includes managers providing separate account management, overlay managers (including for multi-strategy portfolios and unified managed accounts), Turnkey Asset Management Providers ("TAMP") and sub-advisors to any of the foregoing that have trading authority over Client accounts. The TAMP may include separately managed accounts, multi-strategy portfolios, unified managed accounts, mutual fund wrap programs and exchange-traded fund wrap programs. For purposes of this section, managers include overlay managers, sub-advisors with trading authority and TAMP (*as well as any managers that are part of the TAMP's Program*).

If IFP's Clients are interested in participating in the aforementioned programs, IFP would be responsible for assisting interested Clients in selecting the appropriate manager. If so, the respective Clients would be obligated to sign a Client Account Agreement with Schwab, pursuant to which the respective Client would authorize managers to manage the Client's account(s) and Schwab would render its brokerage, custody and related services to the respective Client's account(s) and be authorized by the respective Clients to allow IFP and the managers to share your Client account information and take such actions upon instructions of managers and IFP. IFP would assist Clients in completing and submitting Client Account Agreements to Schwab, including advising Clients about whether managers designated on Client Accounts will be sent certain issuer-related information (*such as proxies, tender offers, proposed mergers, rights offerings, exchange offers, warrants, certain prospectuses and annual reports*) that require managers to make voting decisions or take other actions regarding investments held in Clients' Accounts managed by the managers.

For Marketplace Accounts, IFP will not submit to Schwab the Client Account Agreements until the appropriate manager has accepted its appointment. By contrast, IFP will forward the Client Account Agreements for Sponsor Accounts promptly after being signed by the Client.

The fee that Client Accounts in the Sponsor Programs ("Sponsor Accounts") pay for Schwab's and managers' services is separate from the fee that the Sponsor Account will pay for IFP's services. Client Accounts in the Marketplace will pay a separate fee for Schwab's services, IFP's services and the manager's services. Marketplace Accounts may be designated either as transaction-based pricing or asset-based pricing.

### *Advice to Clients, Generally*

IFP, and not Schwab, will be responsible in providing advice to Clients regarding, among other things, the following:

- i. The appropriateness for a Client of managed accounts, asset-based pricing or bundled fees and other aspects of Schwab's Managed Account Services;
- ii. The appropriateness for a Client of the fee structure of any Sponsor Program or TAMP's service, and the fee applicable to any Marketplace Account;
- iii. The selection of any manager to manage a Client Account, including reviewing the manager's strategy, performance or disciplinary record or other due diligence information;
- iv. Any investment style, strategy or technique, including those of any manager and the allocation of the Client's assets;
- v. Any transaction in a Client Account effected upon IFP's instruction; and
- vi. The ongoing performance and suitability of any manager and its investment strategy(ies) or program.

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The appropriateness of working with the Client, upon paying either asset-based fee or transaction fees, may depend upon a number of factors, including, among others, the Client's investment objectives and financial situation, IFP's and the respective manager's investment strategies and trading patterns, as well as the frequency of trading and the number and size of the transactions. If the number of transactions in the account is low enough in any given billing period, Schwab's portion of the bundled fees may exceed the commissions or other transaction charges that would otherwise have been charged for transactions effected in the respective billing period.

### *Document Delivery*

**Sponsor Accounts.** IFP shall deliver to each Client, no later than the time the Client completes a Client Account Agreement:

- i. A copy of Schwab's Managed Account Services Disclosure Brochure
- ii. The disclosure brochure, including any supplements, ("Manager brochure") and
- iii. Any privacy notice for manager.

Schwab is responsible for delivering updates to its Managed Account Services Disclosure Brochure, and each manager is responsible for delivering or offering to deliver updates to its Manager brochure, privacy notice and other required documents.

**Marketplace Accounts.** Each manager will be responsible for any required initial delivery of its brochure and privacy notice, and also will be responsible for any subsequent offer or delivery to Clients of required updates to these documents.

### *Schwab's Role and Limitations Thereof*

- i. Schwab is not serving as an investment adviser in its Managed Account Services with respect to any transaction in Client Accounts. Furthermore, Schwab does not recommend or endorse any manager to IFP or its Clients.
- ii. Schwab will not be responsible for determining any Client's financial situation or investment objectives or determining the suitability for any Client or Client Account of separately managed accounts, any manager, asset-based pricing, bundled fees or any other aspect of Schwab's Managed Account Services, investment style or strategy or that of any manager.
- iii. Schwab will carry out transactions only as directed by a manager, a Client or IFP. Schwab will send Client's confirmations and Account Statements. The name of the manager may appear on Schwab's Statements of the Client Account.
- iv. Schwab is not obligated to monitor the trading of any manager, IFP or Client's trading in Client's Account.
- v. Schwab cannot verify or guarantee the accuracy, adequacy or completeness of the historical performance or other information made available to IFP.
- vi. The manager may have other business relationships with Schwab, separate from Schwab's Managed Account Services, in connection with which the manager compensates Schwab for services (e.g., Schwab Advisor Network® and Mutual Fund OneSource®).
- vii. The investment strategy, techniques, portfolio securities and historical performance of a manager's separately managed accounts may differ materially from that of mutual funds or other accounts managed with a similar strategy by the same manager.

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## Authorizations

IFP's will complete agreements prescribed by Schwab to authorize Schwab to:

- i. Provide IFP and each manager with access to Client Account information;
- ii. Act upon IFP's instructions for Client Accounts with respect to payment of fees and, to the extent the Client elects, with respect to trading and disbursing assets;
- iii. Act upon IFP's instructions, to the extent authorized by the Client, with respect to the Client's Additional, Funding or Optional Brokerage Accounts (*as defined in Schwab's Account Agreements*);
- iv. Act upon the trading instructions of managers that have been designated to have trading authority;
- v. Furnish transaction information to each manager and send certain issuer information to any combination of the Client, IFP and/or the manager, as the Client may specify; and
- vi. With respect to Marketplace Accounts, act on each designated manager's instructions for payment of the manager's fees.

## Termination of Manager Authorizations

Schwab shall not be required to follow any instructions of any manager

- i. With respect to all Client Accounts managed by the respective manager, after the termination of the Manager Service Agreement between manager and Schwab;
- ii. With respect to a particular Client Account managed by the manager, after
  - A. The Client notifies Schwab in writing that it has revoked Client's selection of the manager,
  - B. The Client notifies Schwab in writing that it has terminated its agreement with IFP,
  - C. The Client terminates the Client Account Agreement, or
  - D. Either Schwab or IFP terminates the governing contractual arrangements between them.

If a manager is no longer available to manage the Sponsor Program Client Accounts, Schwab will notify IFP and IFP will discuss with any Client impacted by such change. IFP and Client will discuss whether to select a new manager that is eligible to manage the Client's Account, switch the Client's Account to a different Sponsor Program or one of the Marketplace services for management by the manager, or take some other action. Schwab and the manager may agree to move a particular investment strategy from the Select Program to the Access Program, in which event IFP may elect to continue to have the Client's Select Program managed as an Access Program account subject to the same fees, but Schwab will not provide research or other information regarding a manager whose services are no longer being offered under the Select Program. It is also possible that Schwab and the Manager may move one or more of the managers in the Access program to the Select Program.

A Client who participates in a Wrap Fee Program should consider that, depending on the level of the Wrap Fee charged, the amount of portfolio activity in the Client's account, the value of the custodial and other services which are provided under the arrangement, as well as other factors, the Wrap Fee may or may not exceed the aggregate cost of such services if they were to be purchased separately. Because the Wrap Fee may be greater than would have been the case if the Client paid separately for investment advice and brokerage and other services or participated in another program, IARs have an incentive to recommend the Wrap Programs over alternative programs or over the purchase of such services separately, including with respect to mutual funds or other assets that may be contained within a Wrap Fee Program account and which may be purchased on an individual basis through IFP's affiliated broker/dealer, JDL Securities Corporation, or through IFP's relationship with Schwab with unbundled pricing.

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## Asset-Based Pricing, without Different Investment Management Services

### **Schwab**

Schwab eliminated transaction costs and so essentially all services that IFP offers through Schwab are considered Wrap Fee services. It is all considered asset-based pricing. So, no such transaction costs need be absorbed by IFPAM, but, in either case, the Client would not pay for such transaction costs. To cover transactions occurring within accounts, the custodian has asset-based pricing as an alternative, coupled with other fees designed as part of its “revenue model”.

### **TD Ameritrade Platform**

If and when custodian offers asset-based pricing, then no such transaction costs need be absorbed by IFP, but, in either case, the Client would not pay for such transaction costs. To cover transactions occurring within accounts, each custodian has asset-based pricing as an alternative, and some of them have both asset-based pricing and transaction-based pricing. Refer to your client account agreement and associated disclosures by the custodian for the specific fees and account services.

### **Fidelity Platform**

If and when the custodian offers asset-based pricing, then no such transaction costs need be absorbed by IFP, but, in either case, the Client would not pay for such transaction costs. To cover transactions occurring within accounts, each custodian has asset-based pricing as an alternative, and some of them have both asset-based pricing and transaction-based pricing. Refer to your client account agreement and associated disclosures by the custodian for the specific fees and account services.

### **Pershing Advisory Services Platform**

If and when custodian offers asset-based pricing, then no such transaction costs need be absorbed by IFP, but, in either case, the Client would not pay for such transaction costs. To cover transactions occurring within accounts, each custodian has asset-based pricing as an alternative, and some of them have both asset-based pricing and transaction-based pricing. Refer to your client account agreement and associated disclosures by the custodian for the specific fees and account services.

### **SEI**

If and when custodian offers asset-based pricing, then no such transaction costs need be absorbed by IFP, but, in either case, the Client would not pay for such transaction costs. To cover transactions occurring within accounts, each custodian has asset-based pricing as an alternative, and some of them have both asset-based pricing and transaction-based pricing. Refer to your client account agreement and associated disclosures by the custodian for the specific fees and account services.

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## **Third Party Asset Managers**

Apart from the sponsored TPAMs within the platforms of our Qualified Custodians, some others bear mentioning here, although in all TPAM situations, you should refer to their Form ADV 2A, Form CRS, and Wrap Brochure for a description of services, fees, conflicts of interest, etc.

### **Lockwood**

IARs of IFP may recommend a Wrap Fee program at Lockwood Advisors Inc [“Lockwood”] [CRD# 106108], a SEC-registered investment adviser. These Wrap Fee programs are described in detail in the Wrap Fee Brochure each institutional consulting program. You will be provided a copy of the appropriate brochure before or at the time of your entering into any such advisory program. These brochures provide detailed information, disclosures, and potential conflicts of interest related to the other Lockwood services and account programs that the IFP IAR will provide you. For more information, please refer to the Lockwood Wrap Fee Brochure.

<https://adviserinfo.sec.gov/firm/summary/106108>

[MANAGED360 PROGRAM WRAP FEE PROGRAM BROCHURE](#)  
[CO-SPONSORED PROGRAMS WRAP FEE PROGRAM BROCHURE](#)  
[LOCKWOOD SPONSORED PROGRAM WRAP FEE PROGRAM BROCHURE](#)  
[MANAGED ACCOUNT ADVISOR WRAP FEE PROGRAM BROCHURE](#)

### **Envestnet Advisory Corporation/Asset Management**

IARs of IFP may recommend a Wrap Fee program at Envestnet Advisory Corporation [“Envestnet”] [CRD# 111694], a SEC-registered investment adviser. These Wrap Fee programs are described in detail in the Wrap Fee Brochure each institutional consulting program. You will be provided a copy of the appropriate brochure before or at the time of your entering into any such advisory program. These brochures provide detailed information, disclosures, and potential conflicts of interest related to the other Lockwood services and account programs that the IFP IAR will provide you. For more information, please refer to the Lockwood Wrap Fee Brochure.

<https://adviserinfo.sec.gov/firm/summary/111694>

### **Other TPAMs**

If and when you, the Client, enters into a contract with a TPAM that offers asset-based pricing, then no such transaction costs need be absorbed by you; You would not pay for such transaction costs. Refer to your client account agreement, the TPAM’s Form ADV 2A, Form CRS and Wrap Brochure for the information on their investment advisory services, brokerage practices, associated fees, conflicts of interest, etc.



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## Fees

IFP sponsors the "Wrap Program" to its Clients as a way to offer its investment advisory and management services through its custodians by charging a single fee to cover all costs related to the Client's account. In other words, our Wrap Fee Programs are fundamentally just a bundled pricing model for the same investment advisory and management services that we offer to our other separately management account clients that pay fees separately for each element of the Investment advisory/management services model, including, but not limited to, investment advisory fees, commissions, custodial fees, etc.

When Qualified Custodians offer their correspondent firms such as IFP "asset-based" pricing for clients, there is no difference between how IFP manages Wrap Fee accounts and how IFP manages other accounts simply because it uses asset-based pricing. In other words, the difference is simply whether transaction and account fees are paid by you, the Client, or such charges are essentially absorbed by IFP as part of the AUM fee. Our Wrap Fee Programs are fundamentally just a bundled pricing model for the same investment advisory and management services that we offer to our other separately management account clients that pay fees separately for each element of the investment advisory/management services model, including, but not limited to, investment advisory fees, commissions, custodial fees, etc.

*The fees are the same fees as otherwise contemplated herein, and are not increased due to such asset-based or bundled pricing. Fees, nevertheless, remain negotiable and generally are a maximum fee of 2% of the assets under management or advisement held at Schwab and up to 2.5% for asset managed by 3<sup>rd</sup> party asset managers outside of Schwab.*

Our fees can be found in Item 5 of the ADV 2A Brochure, but succinctly stated, the fees are as follows:

ASSETS-BASED ("AUM") FEES	
HOW ESTABLISHED	NEGOTIATED
ABSOLUTE MAXIMUM WITHOUT TPAM	2.0% <sup>3</sup>
<b>ABSOLUTE MAXIMUM WITH TPAM</b>	<b>2.5%</b>

For accounts opened as of the effective date of this Brochure, and thereafter, the maximum assets under management fee is 2.0% when IFP or its IARs manage the account. Also, such fees will be determined by the respective IAR, as contemplated in the contract you sign with the IAR, and such amounts may be a fixed percentage for the balance of the assets in the account, or may be tiered as the value of the account changes, subject to a methodology disclosed in your contract with IFP. You should be aware that other investment advisers will charge lower fees for similar investment advisory services.

<sup>3</sup> This maximum is 2% if IFP and its IAR are serving as a discretionary investment manager or non-discretionary investment adviser without a TPAM. If a TPAM is utilized, the maximum fee is 2.5%, in which case the maximum fee for IFP/IAR is still 2%, but an additional fee of .5% would be permitted. If TPAMs are utilized and IFP's/IAR's fee is less than 2%, then the TPAM fee may exceed .5%, but in all circumstances, may not exceed 1%, subject to the maximum fee of 2.5% for such joint investment advisory services. Also, for any fees in excess of 1.5% should elicit a conversation between the client and the IAR about why a fee level exceeding 1.5% is warranted. This is the present policy, but is not intended to mandate that any prior agreements between IFP/IAR and the client must be renegotiated, and IFP may handle such situations on a case-by-case basis.



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## Fee Billing Overview & Methodology

IFP is generally compensated by fees calculated as a percentage of assets under management (“AUM fees”) and may also on occasion be compensated through fixed-fee arrangements. Fees that are calculated as a percentage of AUM are generally charged quarterly or monthly, in advance or arrears, depending upon the agreement with you, the client, based upon the average daily balance of the AUM, including on money market and other cash equivalent assets, during the relevant billing period<sup>4</sup>. When accounts are billed quarterly, they are billed primarily in the months of January, April, July, and October. IFP historically allowed for 3 quarterly billing cycles, consisting of (i) January, April, July, and October, (ii) February, May, August and November, and (iii) March, June, September and December. Starting in October of 2019, IFP updated its advisory account information form to allow for only one quarterly cycle going forward for investors who opt for quarterly billing: January, April, July and October. Accounts previously placed on the alternative quarterly cycles may remain on those cycles.

For all billing cycles, if an account is billed in advance, it is billed at the beginning of the cycle based on the account balance as of close of business of the last day of the previous period. At the end of that billing cycle, a “true-up” adjustment is calculated and processed based on the average daily balance of that cycle. If an account is billed in arrears, it is billed based on the average daily account balance during the billing cycle.

The qualified custodians<sup>5</sup> of IFP generally will debit the fees on a periodic basis from the account as disclosed in your investment advisory agreement.<sup>6</sup> IFP generally uses average daily balance, in advance or in arrears, at the election of the client.<sup>7</sup> If the client leaves before the end of the quarter when a fee was invoiced in advance of the quarter, a *pro rata* refund will be issued, if such difference in fees would be \$25 or greater.

IFP may in its sole discretion change the actual fee charged upon thirty days’ written notice to the Client. Clients may accept the change or close the account.

## Investment Management & Associated Other Fees Considerations when the IAR serves as the Portfolio Manager

IFP IARs negotiate your fee, and you and your IAR must agree upon the fee contractually, and IFP limits any assets under management fee for new contracts to 2.0% per annum.

Fees, fee structure, and experience will vary by IAR. Nevertheless, IFP’s maximum fee is 2.0% of asset under advisement/management that are managed/advised by the IAR. Furthermore, IARs determine advisory fees differently. For example, some IARs will household all or a subset of your managed accounts together to determine a fee breakpoint (tiered fee schedules) or charge a fee based on each account size. Additionally, some IARs have a flat fee assigned to the account regardless of account value. There are advantages and disadvantages to all fee structures, but each IAR sets their own variances within IFP’s maximum fee structure. This causes some clients to be treated in more favorably than other clients when you do not receive tiered, household fee, or do not negotiate lower pricing with your IAR vis-à-vis cheaper

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<sup>4</sup> Uninvested cash balances should generally not be subject to AUM fees, unless there is material portion of such balance that is relatively short-term or the IAR can demonstrate active management of the entire portfolio strategy, of which a certain and varying level of cash balances are being regularly reviewed and reassessed.

<sup>5</sup> For example, our Qualified Custodians include Schwab/TD Ameritrade, Pershing Advisor Services and Fidelity.

<sup>6</sup> For Pension Plan business, the fee methodology differs for reasons explained elsewhere herein.

<sup>7</sup> IFP will generally calculate such fees itself, either by the Home Office, or, in some cases in the IAR’s Office, subject to submitting the supporting material for such calculations to the IFP Home Office Compensation Team. However, in the case of fee-based annuities, pursuant to operational conventions that exist with various insurance companies that provide fee-based annuities for the Investment Adviser Industry, the respective insurance companies conduct the fee calculations, and furnish such calculation to the Registered Investment Advisers such as IFP. Such insurance companies would automatically deduct the fee from the account and pay IFP its investment advisory compensation.

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fees available with other clients or investment advisers, including other IARs within IFP.

The exact fee is negotiated on a client-by-client, or account-by-account basis. These fees are disclosed to you in the investment advisory agreement that you sign in advance of services being provided. IARs have an incentive in the fee charged to you as they receive a percentage of the fee with the remaining amount of the fee retained by IFP. Since IFP provides investment advisory service through independent contractors/agents, IFP, relative to other firms and its industry peers, pays a high percentage of the total fees collected from you to the IAR, which means any conflicts regarding the fees paid to the IAR is relatively more pronounced since the IARs are paid up to 95% of all fees assessed to you. A change in your fee will be documented on the appropriate form when being increased. When your fee is decreased, a verbal authorization can be accepted.

In exchange for such fees, IARs provide investment advisory and management services, defined as giving continuous and regular supervisory (investment advice/management) services to a client and making investments based on a client's individual needs through securities accounts. In this program, IARs are responsible for determining investment recommendations and implementing any such recommendations by effectuating transactions and/or retaining allocations as previously established ("implicit hold recommendations"). If the IAR determines that upon review of the client portfolio, according to whatever periodic review timetable was established between the IAR and you, the client, the IARs should document the basis for retaining the present allocation, as well as the basis for effectuating any material changes to the portfolio. IARs will manage your accounts in accordance with your individual needs, objectives and risk tolerance.

### **Insurance Company Billing for Fee-Based Annuities**

Some Insurance companies provide for customers to pay for investment management fees with a distribution from their nonqualified deferred annuities provided the distributions adhere to certain conditions.<sup>8</sup>

You will also choose, in conjunction with your IAR, whether to pay a ticket charge per trade executed or an asset-based fee for trade execution, and may vary by custodian.<sup>9</sup> Fees for trade execution are separate from the advisory fees.<sup>10</sup> The amount of trades placed in the account is a factor that has a bearing upon the relative cost of the program. If there are only a few trades placed in the account over a period, it is likely that paying for advisory services and trade execution

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<sup>8</sup> Payment of fees from an eligible nonqualified deferred annuity:

In PLR 2019-101342, the Internal Revenue Service (IRS) has indicated that distributions to pay for investment management fees from nonqualified deferred annuities that meet certain criteria will not be considered taxable. Those criteria include:

- The annuity contract is designed for owners who will receive ongoing investment advice from an investment adviser who is appropriately licensed and in the business of providing investment advice.
- The annuity contract owner will authorize investment advisory fees to be paid periodically to the adviser from the annuity contract's cash value.
- The fees will be determined based on an arms-length transaction between the owner and adviser.
- The fees cannot exceed an amount equal to an annual rate of 1.5% of the annuity contract's cash value determined at the time and in the manner provided by the fee authorization but in all events based on such cash value during the period to which the fees relate.
- The fees will compensate the adviser only for the investment advice that the adviser provides to the owner with respect to the annuity contract and not for any other services or accounts, nor reduce fees for other services or accounts.
- While the fee agreement is in place the annuity contract will be solely liable for the payment of the fees directly to the adviser.
- The owner may not pay the fees to the adviser from other accounts or assets nor can they direct the payment of the fees for any other purpose or to any other person.
- The adviser will not receive a commission for the sale of the annuity contract.

Essentially, if the annuity and the attendant investment advisory fee agreement meet the above criteria, the payment of the investment advisory fees will be considered an expense of the contract and not a distribution to the owner. Thus, the payment from the cash value of the annuity will not be treated as a taxable distribution. Otherwise, it will be considered a taxable distribution and the customer will receive a 1099 to such amount considered income.

<sup>9</sup> PAS, for example, charges a ticket fee of \$4.95 per trade for trades in scope of their ticket fees.

<sup>10</sup> PAS, for example, charges a ticket fee of \$4.95 per trade for trades in scope of their ticket fees.

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separately would be less expensive than a bundled/wrapped advisory fee. On the other hand, if there are a large number of trades placed in the account over a period, it is possible that paying for advisory services and trade execution separately could be more expensive. Assessing your needs, future trading activity, time horizon and fee methodology impact which approach is in your best interest. Some IARs will absorb the costs of trade execution for you. This creates a conflict as it could incentivize an IAR to trade less frequently. Also, when an IAR pays for trade execution and the IAR has the availability to purchase and sell investments with low or no ticket charges associated with them, it may impact which products to purchase since not all products have a transaction/clearing cost. This creates a conflict as IAR will receive a larger portion of the advisory fee than if you paid for the trade execution.

### **Fees imposed by 3<sup>rd</sup> Parties**

You will incur other charges imposed by third parties besides IFP in connection with investments made through the account, including but not limited to confirmation fees, mutual fund 12b-1 fees, sub-accounting fees, contingent deferred sales charges, variable annuity fees and surrender charges, short-term redemption fees, qualified retirement plan fees and account maintenance fees. Commissions are commonly charged by dealer managers so that when, e.g., IFP sells a private placement which is structured for the investment advisory platform in the sense that IFP would not charge a commission, and would only charge an AUM fee, a broker/dealer manager for the issuer of the private placement would typically charge a commission. Also, with respect to other securities products that are structured for investment advisers in the sense that a commission would not be payable to IFP (e.g., fee-based variable annuities), there will be internal expenses of the product that are charged by the insurance company, and those expenses will be higher than product that pay a commission. The tradeoff is the presence or absence of a commission, and the time horizon is relevant in evaluating whether higher internal fees are in the best interest of the client.

A description of these fees and expenses are available in each investment company security's prospectus. You should be aware that mutual funds generally charge a management fee for your services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for your services. These fees are in addition to the fees paid by you to IFP. Fund companies also charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Performance figures quoted by mutual fund companies in various publications are after your fees have been deducted. Neither IFP, nor IAR, will receive a portion of the 12b-1 fee generated by mutual fund investments. Not all mutual funds pay a 12b-1 fee, please refer to your funds' prospectus for fund specific information as it relates to your account. Any 12b-1 fee for mutual funds generated from account assets will be credited back to your advisory account, except in the case of money market mutual funds where the custodian has structured those products to pay IFP. You will see the credits on your account statements. Income tax liabilities may result from the sale of individual securities within your account, unless the account is otherwise tax sheltered or tax deferred. Income tax liabilities directly reduce investment returns. You are responsible for all tax liabilities arising from the sale of individual securities within your account. You should consult your tax advisor as IFP cannot offer tax advice.

Notwithstanding the foregoing, investment advisory products include investment advisory products proprietary to or administered by third-party service providers which, among other things, allows IFP Clients to access portfolio managers participating in our Custodian's platforms for purposes of managing trading activity in a Client's Wrap Fee account. Services offered by Wrap Sponsors that are Custodians will include all custodial functions customarily performed with respect to such accounts including, but not limited to, back-office support, execution of securities transactions (when applicable), crediting of interest and dividends and periodic reporting, which reports the respective Custodian will send directly to the Client.

### **Product Fees**

Investments in mutual funds and ETFs are subject to various other fees that are paid by those portfolios, but ultimately are borne by shareholders through lower returns than would likely be realized without those fees. These expenses may include investment advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees related to investments in mutual funds. In addition, mutual funds' portfolio managers and IFP's custodians that conduct

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the order routing result in spreads being paid to market makers as markups or markdowns of the price of the security purchased. Additional information and product descriptions can be found in the prospectus for the applicable product.

IFP will share its portion of the Wrap Fee it receives with the IFP IAR for the Client's account ("Fee Split"). The payment by IFP of compensation to IAR will not affect the amount of the Fee charged to Client's account. The amount of such compensation may be greater than what the IFP IAR would receive if the Client purchased separately IFP's brokerage or other services as such services. Such personnel may, therefore, have a financial incentive to recommend these products over other products, programs, or services.

You could also invest on your own in a security or a portfolio of securities directly without being charged for investment advisory services. You should be aware that investment advisory program fees charged can be higher or lower than if you elected to execute transactions on a commission basis for each transaction in a commission-based brokerage account.

IARs have the availability to utilize mutual funds that offer various shares, including those within the same mutual fund. Varying share classes include, but are not limited to, shares designated as Class "A" Shares, Class "B" Shares, Class "C" Shares, "Advisor Share Class (e.g., "F2" Shares), Class "R" Shares and Class "I" Shares. Generally, I Shares are reserved for institutional investors and therefore are not always available for your account. As a result of the different expenses of the mutual fund share classes, it is generally more expensive for you to own Class A Shares than Class I Shares (or other share classes). Generally, you do pay a sales load for Class A Share mutual fund transactions (paid from a reduction from your initial investment amount, unless it is "load-waived"), and generally pay transaction charges for Class I Share mutual fund transactions. You can avoid or lower the transaction charge by purchasing a Class A Share mutual fund in a non-retirement account by increasing your purchase amount to take advantage of "Break Points")<sup>11</sup>, however the share class can be more expensive to you over time because of the ongoing 12b-1 fee. You pay a higher transaction charge for a Class I Share; however, the share class can be less expensive to you over time. You should discuss and understand these additional indirect expenses borne as a result of the mutual fund fees.

When possible, you should not be in a share class designed for brokerage accounts, but should be in Adviser share classes, although in certain cases, large transactions in brokerage share classes can be less expensive consider in the internal expense ratios.

You should consider the value of these investment advisory services when making such comparisons. The combination of custodial, investment advisory and brokerage services provided may not be available separately or would require maintaining multiple accounts, documentation, and fees.

### Other Fee Considerations

Fees, fee structure, and experience will vary by IAR. Furthermore, IARs determine advisory fees differently. For example, some IARs will household all or a subset of your managed accounts together to determine a fee Breakpoint/tier or charge a fee based on each account size. Additionally, some IARs have a flat fee assigned to the account regardless of account value. There are advantages and disadvantages to the various fee structures, but each IAR may set their own variances within IFP's fee structure. This causes some Clients to be treated in a more favorable manner than other clients when you do not receive tiered or a householding fee, and are unable to negotiate lower pricing with your IAR.

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<sup>11</sup> See the applicable mutual fund prospectus for a schedule of such fee reductions/eliminations, otherwise known as the Break Point schedule. Also, generally, commission-based securities, including mutual fund classes with "Sales Loads," are not permitted or appropriate in an investment advisory accounts, unless the load is waived and an adviser-class share is otherwise unavailable, and/or a load-waived share is cheaper and just as effective as a comparable adviser-class share. Generally, adviser-class shares should be used. However, any exceptions to this policy must be documented by the IAR and IFP designated principals in terms of why such an approach is the best interest of the client. For example, in some cases, large transactions in A Shares, e.g., that result in no load being charged (top breakpoint bracket for may be cheaper than adviser-class shares when one analyzes the mutual fund's internal management fees. In that case, the IAR could "make the case" that such shares are in the best interest of the client, and such client/fund-specific comparison must be analyzed by the IAR on a case-by-case basis, and such analysis should be provided to the IFP New Accounts Supervisors and the Transaction Supervisors. For non-discretionary investment advice, you are encouraged to always ask your IAR for a written justification about why a particular portfolio strategy and investment recommendation is in your best interest.

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The exact fee is negotiated on an IAR-by-IAR, Client-by-Client, or account-by-account basis. These fees are disclosed to you in the investment advisory agreement that you sign in advance of services being provided. IARs have an incentive in the fee charged to you as they receive a percentage of the fee with the remaining amount of the fee retained by IFP. Your IAR will receive the same percentage of the fee regardless of which advisory program is selected. A change in your fee will be documented on the appropriate form when being increased. When your fee is decreased, a verbal authorization can be accepted.

You should also consider the amount of anticipated volume of trading activity when selecting among the investment advisory programs and assessing the overall cost. Investment advisory programs typically take into consideration certain volume of trading activity and therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash allocations sometimes result in higher investment advisory fees being paid over various periods of time than if the client had been charged a commission separately for each transaction. Also, if your IAR is not actively managing certain assets (e.g., money market balances or “cash equivalents”, and such balances generally remain the same, relatively stable in amount and/or “uninvested” in the market, you should request your IAR exclude them from billing, so that only actively advised/managed investments/assets are subject to investment advisory fee billing.

In a Wrap Fee account, assets that pay 12b-1s or other commissions, are against IFP policy. Also, trading away from the Qualified Custodians is generally against IFP policy, unless one can demonstrate how such trading away complies with duties related to seeking the best execution (“Best Execution”) for the Client and serving in the Best Interest of the Client. Such trading is operationally possible when TPAMs exercise their own discretion and utilize different Qualified Custodians or broker/dealers than IFP/IFP Securities utilizes, regardless of where the resulting securities/”position” is held in custody. Also, trading away from the Qualified Custodians for Wrap Accounts, which incur outside brokerage or accounts fees for such “away” transactions, is disallowed absent a compelling case, albeit unlikely, that such transactions were truly in the Best Interest of the Client, and a Transaction Supervisor of IFP reviews and approves of such transactions. The point is that the account and its billing methodology must be viewed in terms of what is in the best interest of the Client, and one element of conducting a best interest analysis is determining which approach would be the cheapest, assuming all of the alternatives are equally important in terms of achieving a particular outcome for the Client. Among other elements that are generally relevant for Clients is which services, account types, securities, management styles, tactical and strategic considerations, account trading activity, and asset allocations methodologies within the account are in the best interest of the Client. If the Client can achieve all the elements that are important in light of their investment objectives, risk tolerance, liquidity needs and other elements of the Client’s objectives, and can do so at a cheaper price, then the cheaper pricing should be sought. However, if the Client’s best interest is obtained by managing the account in a different way, but not necessarily the cheapest, then the Client’s best interest determines the appropriate approach, subject to duty to seek Best Execution.

Our Wrap Fee does not cover all fees and costs. The fees not included in the Wrap Fee include charges imposed directly by a mutual fund or ETF that must be disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees (such as a commission or markup) for trades executed via another broker/dealer away from the Qualified Custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Trades placed away from the Qualified Custodians are subject to Best Execution obligations and should only be conducted if deemed in your best interest.

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## Fees for 3<sup>rd</sup> Party Asset Managers on the Schwab Platform

3 <sup>rd</sup> Party Management Fees	Fee Range
<p><b>Schwab's Managed Accounts Services<sup>12</sup>:</b></p> <p><b><i>Sponsor Accounts</i></b></p> <p><b><i>Marketplace Accounts</i></b></p>	<p>Transaction-Based or Asset-Based</p> <p>Payment for each manager's services as a single, bundled fee, to be deducted directly from each Sponsor Account. The bundled fee is based upon the value of assets in the Account and will cover most Schwab brokerage and related fees.</p> <p>To the extent that Sponsor Account assets are invested in money market funds for which Schwab serves as the investment advisor and/or sponsor, Schwab will earn advisory, distribution and/or other fees in addition to the bundled fee on such assets.</p> <p>Schwab may act as principal for trades of fixed income securities in the Sponsor Programs, but will not act as principal for equity trades. Principal trades are those in which securities are directly purchased from or sold to a financial institution acting as dealer or principal. When Schwab executes fixed income trades as principal for a Client Account in the Sponsor Programs, Schwab will realize the customary dealer profits or losses on the trade and, in the case of fixed income securities, will charge a mark-up or mark-down. Profit or loss on principal trades will be separate from and additional to, and will not reduce or otherwise offset, Schwab's bundled fee for the Sponsor Program Client Account. Schwab will not execute trades as principal for Client Accounts managed by affiliated managers in the Access Program.</p> <p>In addition to the bundled fee, Schwab may charge Sponsor Account Fees for special services elected by the Client, IFP or the manager, including without limitation periodic distribution fees, electronic fund and wire transfer fees, certificate delivery fees and reorganization fees. For more information about fees, IFP may obtain such information, upon request or account establishment, from the Schwab Institutional® Regional Sales Team.</p> <p>Commission and other Fees apply for brokers used other than Schwab. Also, the see Asset-Based Pricing Addendum to the Schwab Client Account Agreement.</p>

<sup>12</sup> Note that in situations where IFP provides investment advice or investment management services for assets held in custody at Schwab, the pricing is bundled or "wrapped" into the assets under management fee charged by IFP, which means that transaction and account fees are not assessed to you, the client. A separate Wrap Disclosure Brochure is provided in those cases. The fees of using Schwab are the same fees as otherwise contemplated herein, and are not increased due to such asset-based or bundled pricing. Fees for using a TPAM appointed by IFP are higher than Schwab and therefore, there is a conflict of interest for IARs to recommend that latter 3<sup>rd</sup> Party Asset Managers rather than IFP providing separate account management/advice itself for asset held at Schwab. Fees, nevertheless, remain negotiable and generally are a maximum aggregate fee of 2.5% of the assets under management or advisement.



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## ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

The types of clients in the Program include individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and business entities. IFP, in its sole discretion, may reduce its investment management fee based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

### Minimums Imposed by Financial Professional

IFP does not impose a minimum portfolio size or minimum annual fee for participating in the Program. IARs who are independent contractors of IFP may also, however, impose more restrictive account requirements for participating. In such instances, IFP may alter its corresponding account requirements to accommodate those of the independent FPs. Please discuss with your IAR whether any particular requirements or annual fees exist related to account size, etc.

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## ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION

IFP allows its IARs to act as Portfolio Managers (“RPM” or “Rep as Portfolio Manager”). Generally, FPs conduct research and analysis through the use of third-party providers. IFP FPs may also use financial newspapers, magazines, journals, company press releases, annual reports, prospectuses, and filings with the SEC. IFP generates quarterly performance reports with comparisons to selected benchmarks.

### Methods of Analysis & Investment Styles and Strategies:

IFP IAR may use various methods to determine an appropriate investment strategy for client accounts. During a client’s initial and subsequent interactions, the IAR will discuss the methods and strategies he or she uses or can use given various investment objectives.

### Investment Styles

- **Long-term purchases** - Investments held at least a year.
- **Short-term purchases** - Investments sold within a year.
- **Short sales** - A short sale is generally the sale of a stock not owned by the investor. Investors who sell short borrow the stock in the belief that the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.
- **Margin transactions**<sup>13</sup> - When an investor buys a stock on margin, the investor pays for part of the purchase and

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<sup>13</sup> We are furnishing this document to you to provide some basic facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a margin account. When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your brokerage firm. If you choose to borrow funds from your firm, you will open a margin account with the firm. The securities purchased are the firm’s collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the firm can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

- **You can lose more funds than you deposit in the margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional funds to the firm that has made the loan to avoid the forced sale of those securities or other securities or assets in your account(s).

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borrow the rest from a brokerage firm. For example, an investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm.

- **Option writing including covered options, uncovered options, or spreading strategies** - Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time. For any options accounts, you should receive and review the Options Disclosure Document.<sup>14</sup>
- **Growth style** - This management style focuses on purchasing the stock of companies that have excellent financial characteristics such as above-average sales growth, profit growth, dividend growth, profit margins, and return on capital. In general, a portfolio manager following a growth approach to managing is willing to pay a higher than average valuation for this type of stock. A more conservative growth manager can choose to focus on high quality growth companies that are available at reasonable valuations determined by various pricing models.
- **Value style** - This management style focuses on purchasing the stock of companies that generally have less attractive measures of financial performance than growth companies but can be purchased at very attractive prices. In other words, such investments may be acceptable as long as the price is sufficiently attractive as compared with arguably less attractive fundamental metrics. A portfolio manager following a value approach to managing assets can choose to invest in the stock of companies that he/she feels are selling at a sizeable discount from "private market value" – a price an acquirer might be willing to pay for the entire company. Value managers are also attracted to sound companies whose stock prices are depressed by temporary business problems or investor misperceptions.
- **Fixed income style** - This management style focuses on purchasing different types of bonds. In particular, a portfolio manager following a fixed income approach to managing assets invests in high quality bonds, lower quality high yielding bonds, or international bonds, depending on the specific objectives for the account.
- **Asset allocation style** - This management style strives to construct portfolios which provide a certain lower level of overall risk (or fluctuation in value) than would otherwise have been achieved through a less diversified approach. To achieve this objective, the portfolio manager can combine asset classes whose returns do not move in perfect tandem; in other words, their returns are not closely correlated.
- **Proprietary Mutual Funds** - Certain Strategists invest all or a portion of the assets in a mutual fund that are proprietary to our Wrap Fee Program platform providers (e.g., Schwab). Such mutual funds impose additional restrictions such as restrictions on investing in the mutual fund outside of the Wrap Fee account managed by the

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• **The firm can force the sale of securities or other assets in your account(s).** If the equity in your account falls below the maintenance margin requirements, or the firm's higher "house" requirements, the firm can sell the securities or other assets in any of your accounts held at the firm to cover the margin deficiency. You also will be responsible for any short fall in the account after such a sale.

• **The firm can sell your securities or other assets without contacting you.** Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. Most firms will attempt to notify their customers of margin calls, but they are not required to do so. However, even if a firm has contacted a customer and provided a specific date by which the customer can meet a margin call, the firm can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the customer.

• **You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.** Because the securities are collateral for the margin loan, the firm has the right to decide which security to sell in order to protect its interests.

• **The firm can increase its "house" maintenance margin requirements at any time and is not required to provide you advance written notice.** These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause the member to liquidate or sell securities in your account(s).

• **You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.

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<sup>14</sup> IFP policy prohibits uncovered options positions or any options position that requires a margin account. So, Level 2 options would be the maximum options exposure.



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## Asset Classes

- **Large-cap equities** - These are stocks of U.S. companies with market capitalization that is generally greater than the mean capitalization of stocks on U.S. exchanges. Stocks in this category, since they are from larger companies, tend to be more easily traded, more widely held, and more broadly followed by investment analysts. Risk levels vary widely among these stocks.
- **Small-cap equities** - These are stocks of U.S. companies with market capitalization that is generally less than the mean capitalization of stocks on U.S. exchanges. Since they are stocks of smaller companies, growth rates and risk tend to be higher, while information on the stocks and ready liquidity tends to be less available.
- **Investment grade fixed income** - This investment class is comprised of U.S. "investment grade" bonds and other fixed income instruments. Investment grade fixed income investments generally have been rated for credit quality and are used by fixed income investors who are risk averse.
- **High yield fixed income** - U.S. high yield corporate bonds, also known as "junk" bonds, are fixed income investments with low or no credit rating and generally higher risk of default than investment grade bonds. Correspondingly, these investments, while performing, tend to pay significantly higher coupon and yield rates.
- **International equities** - These are stocks of companies that derive most of their sales from outside the U.S. These investments can carry broadly varied risk, and potential return can vary as well. This investment class is used to diversify the equity exposure in a portfolio, such that all stock exposure is not dependent only on U.S. economic and market conditions.
- **Real estate investment trusts** - This investment class represents ownership in real estate or real estate loans in either commercial or residential real estate properties.
- **Cash equivalents** - This asset class is substantially equal to cash and as such carries low interest rates and little or no risk of loss in value. Money market mutual funds are the most common form of this asset class. Some portfolios move 100% of the assets in the portfolio to money market funds to preserve capital for certain periods of time.

## INVESTMENT MANAGEMENT

### **ADVISOR MANAGED**

Within IFP, portfolio management is handled in one of two ways. First, IFP serves as the portfolio manager. Second, IFPAM serves as the portfolio manager. If IFPAM serves as the portfolio manager, then the IFP instructs IFPAM whether the client account should be priced whereby ticket fees and other transaction costs are borne by the Client or wrapped into 1 fee, which would result in IFPAM absorbing any transaction costs occur. In situations where the custodian offers asset-based pricing, then no such transaction costs need be absorbed by IFPAM, but, in either case, the Client would not pay for such transaction costs. To cover transactions occurring within accounts, each custodian has asset-based pricing as an alternative, and some of them have both asset-based pricing and transaction-based pricing. In the case where custodians such as Fidelity and Pershing Advisory Solutions utilizes an asset-based pricing model, it may cover only a portion of their securities (e.g., asset-based pricing for stocks and ETFs), but may retain transaction-based pricing for mutual funds, unless the mutual funds are structured as NTFs (non-transaction costs mutual funds).

In an Advisor Managed Account, sometimes known as "Rep as Portfolio Manager" ("RPM"), your IAR will be responsible for managing your account consistent with your defined objectives and risk tolerance and will assist you to develop a personalized asset allocation program and customized portfolio. IFP does not offer proprietary products. IFP's investment recommendations are not limited to any specific product or service offered through a broker/dealer or insurance company. Your portfolio holdings can include, but are not limited to, securities listed on the stock market exchanges; corporate and municipal bonds; Mutual Funds; Unit Investment Trusts ("UITs"); Exchange Traded Funds ("ETFs"); Variable Annuities ("VAs") and/or the sub-accounts within a VA; Variable Universal Life insurance ("VUL"); alternative products,

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including project-specified private placements, Real Estate Investment Trusts ("REITs"), Direct Participation Programs ("DPPs") or Business Development Companies ("BDCs"); equity options; warrants; United States government and government agency securities; certificates of deposit and commercial paper. Depending upon the issuer and how it structures the product, some investment products, (e.g., REITs, DPPs and BDCs) historically have been more often designed for the brokerage versus investment advisory channel, although platform availability for these products is expanding. If the product was structured and sold as a brokerage product, which means a commission was charged, it generally is not eligible to be held in an Advisor Managed Account, unless it is excluded from billing.

In an Advisor Managed Account, your IAR typically will diversify your holdings across various asset classes unless your objective is to invest in specific assets. The percentage weightings within the asset classes will be based on your risk profile, investment objectives, individual preferences and availability. You will have the opportunity to meet with your IAR to periodically review the assets in your Advisor Managed Account. We recommend you and your IAR meet on a regular basis to review your financial situation, investment objectives and current holdings, and you should let your IAR know about any changes in your circumstances in the meantime.

IFP does not pool your assets with those of other customers. Models are managed as SMAs, and IAR manage accounts individually, not as a pool of investor capital. IFP provides continuous and regular supervisory services over what are known as separately managed account. Among other things, the advice and management of your account are tailored to your individual and specific needs and objectives. Also, you retain the right to add or withdraw securities or cash, pledge securities, and vote securities. You will receive periodic statements directly from the qualified custodian.

We offer both discretionary and non-discretionary portfolio management and advisory services. Thus, the underlying accounts subject to ongoing account monitoring and supervisory services are handled on either a discretionary trading basis or non-discretionary trading basis as agreed upon between you and your IAR. In order to have trading authorization on your account, you must grant your IAR limited power of attorney over your account. This can be done through the standard IFP investment advisory agreement.

If you want your IAR to have discretion over the timing and amount of securities purchased or sold in your account ("Limited Trading Authorization"), you will be asked to sign an agreement providing such authorization. Such an agreement is referred to several ways, including Limited Power of Attorney, Letter of Authorization or with the investment advisory agreement itself, with specific language to refer to authorizing your IAR to place orders for your account without contacting you in advance. Such Limited Trading Authorization places more power and trust with your IAR, and if you proceed in that way, you should be comfortable with the investment management approach and plan, and understand that the implementation of that approach/plan is within the control of your IAR.

If you do not want your IAR to have discretion, your account will be non-discretionary and your IAR will need to speak with you directly to obtain authorization before placing trades. You should understand that any delay in obtaining your authorization to execute a recommendation could result in less favorable transaction terms, including a higher security transaction execution price depending on prevailing market conditions.

Some IARs will utilize an automated investment program through which you are invested in a range of investment strategies constructed by your IAR. These types of programs assist your IAR in determining your investment objectives and risk tolerances in order to select an appropriate investment strategy and portfolio. Additionally, these programs assist your IAR in managing your portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if applicable). However, this could lead to less frequent contact with your IAR.

### **IFP ASSET MANAGEMENT**

IFP Asset Management ("IFPAM") offers a variety of model portfolios from which investors choose. IFPAM model portfolios, which are created and managed on a discretionary basis by IFP's Investment Management team. In instances where your IAR uses IFPAM, your IAR will help you determine which IFP models are best suited for you based on your risk profile, investment objectives, and preferences, leaving the actual trading decisions to IFP's Investment Management

team. IFPAM offers a variety of model portfolios with varying investment product types, including mutual fund and ETF portfolios, equity portfolios and fixed income portfolios. On a case-by-case basis, IFPAM also offers to manage portfolios according to models that an IAR may provide.

The IFPAM enables its IARs who do not want to serve as RPM to have IFPAM manage the client's portfolio. The

IFPAM service model for its IARs is as follows:

### **PROCESS**

#### **ANALYZE**

Analyze how the IAR is currently handling the asset management portion of the IAR's business and whether the IAR thinks IFPAM could provide value.

#### **DISCUSS**

Schedule a consultative call to review the IFPAM team, services, and model portfolios so the IAR can better understand how IFPAM can increase the enterprise value of the IAR's practice.

#### **IMPLEMENT**

Once the IAR is confident IFPAM is a good fit for the IAR, IFPAM will work with the IAR to devise an implementation strategy to move over any accounts that the IAR may wish to have IFPAM manage.

#### **GROW**

After implementation, IAR can go back to focusing on the IAR's clients, serving as the relationship manager, but teaming up with IFPAM to manage the client's money.

### **SERVICE**

#### **ACCESS IFPAM'S PRE-BUILT MODEL PORTFOLIOS**

Eliminates the need to evaluate securities, analyze mutual funds and ETFs, and construct asset allocation strategies.

#### **IFPAM CAN CUSTOMIZE STRATEGIES FOR HIGH-NET-WORTH CLIENTS**

Eliminates the need to research positions, understand portfolio construction, and continually monitor custom strategies.

#### **IFPAM WILL TRADE AND REBALANCE YOUR ACCOUNTS AND HANDLE OPERATIONAL TASKS SUCH AS INVESTING CONTRIBUTIONS AND FREEING UP CASH FOR WITHDRAWALS**

Eliminates the need to learn new trading software and stop other tasks to execute trade orders.

Eliminates the need to meet with wholesalers, perform extensive due diligence, and write trade rationales.

## **MODEL PORTFOLIO OFFERINGS**

### **BROAD MODEL STRATEGIES**

#### **PASSIVE**

Seeks to provide a low-cost, tax-efficient portfolio with minimal tracking error to its designated benchmark.

#### **STRATEGIC**

Built for long-term investors who desire an asset allocation model that is always fully invested.

#### **TACTICAL**

Actively managed and designed to incorporate IFPAM's best ideas. The portfolios are traded more frequently than the strategic models and can go to cash when market conditions warrant.

#### **INCOME ORIENTED**

Designed to provide investors with current income, either through interest payments or dividends.

#### **THIRD PARTY MODELS**

Such 3<sup>rd</sup> Party models are designed to provide investors with access to 3<sup>rd</sup> party money managers and their model portfolios. IFPAM currently has relationships with Dimensional Fund Advisors ("DFA") and Capital Group/American Funds.

#### **QUANTITATIVE**

Asset allocation decisions are driven entirely by pre-defined rules that are algorithmic in nature. The models are designed to provide a level of risk management and can hold elevated cash.

#### **FOCUSED STOCK / INDIVIDUAL EQUITY**

Built for investors who want to gain exposure to domestic companies through individual stocks. These models are designed to capture certain market factors, such as quality, minimum volatility, and momentum.

## **SPECIFIC MODELS**

### **PASSIVE MODELS:**

#### **ETP Passive – Aggressive Growth**

Seeks to provide a low-cost, tax-efficient portfolio with minimal tracking error to its designated benchmark. This is the aggressive growth version of the model.

#### **ETP Passive – Growth**

Seeks to provide a low-cost, tax-efficient portfolio with minimal tracking error to its designated benchmark. This is the growth version of the model.

#### **ETP Passive – Growth with Income**

Seeks to provide a low-cost, tax-efficient portfolio with minimal tracking error to its designated benchmark. This is the growth with income version of the model.

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### ETP Passive – Income with Moderate Growth

Seeks to provide a low-cost, tax-efficient portfolio with minimal tracking error to its designated benchmark. This is the income with moderate growth version of the model.

### ETP Passive – Income with Capital Preservation

Seeks to provide a low-cost, tax-efficient portfolio with minimal tracking error to its designated benchmark. This is the income with capital preservation version of the model.

### **STRATEGIC MODELS:**

#### MF Strategic – Aggressive Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the aggressive growth version of the model.

#### MF Strategic – Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the growth version of the model.

#### MF Strategic – Growth with Income

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the growth with income version of the model.

#### MF Strategic – Income with Moderate Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the income with moderate growth version of the model.

#### MF Strategic – Income with Capital Preservation

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the income with capital preservation version of the model.

#### ETP Strategic – Aggressive Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the aggressive growth version of the model.

#### ETP Strategic – Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the growth version of the model.

#### ETP Strategic – Growth with Income

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the growth with income version of the model.

#### ETP Strategic – Income with Moderate Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the income with moderate growth version of the model.

#### ETP Strategic – Income with Capital Preservation

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Built for long-term investors who desire an asset allocation model that is always fully invested. This is the income with capital preservation version of the model.

### Alpha & Beta (Hybrid) Strategic – Aggressive Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the aggressive growth version of the model.

### Alpha & Beta (Hybrid) Strategic – Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the growth version of the model.

### Alpha & Beta (Hybrid) Strategic – Growth with Income

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the growth with income version of the model.

### Alpha & Beta (Hybrid) Strategic – Income with Moderate Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the income with moderate growth version of the model.

### Alpha & Beta (Hybrid) Strategic – Income with Capital Preservation

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the income with capital preservation version of the model.

### Socially Responsible Investing (SRI) Strategic – Aggressive Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the aggressive growth version of the model.

### Socially Responsible Investing (SRI) Strategic – Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the growth version of the model.

### Socially Responsible Investing (SRI) Strategic – Growth with Income

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the growth with income version of the model.

### Socially Responsible Investing (SRI) Strategic – Income with Moderate Growth

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the income with moderate growth version of the model.

### Socially Responsible Investing (SRI) Strategic – Income with Capital Preservation

Built for long-term investors who desire an asset allocation model that is always fully invested. This is the income with capital preservation version of the model.

### Wealth Accumulation Strategic – Aggressive Growth

Seeks to provide a well-diversified, cost-effective solution for clients that are in the accumulation phase of their investing life cycle. Built for long-term investors who desire an asset allocation model that is always fully invested. This is the aggressive growth version of the model.

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### Wealth Accumulation Strategic – Growth

Seeks to provide a well-diversified, cost-effective solution for clients that are in the accumulation phase of their investing life cycle. Built for long-term investors who desire an asset allocation model that is always fully invested. This is the growth version of the model.

### Wealth Accumulation Strategic – Growth with Income

Seeks to provide a well-diversified, cost-effective solution for clients that are in the accumulation phase of their investing life cycle. Built for long-term investors who desire an asset allocation model that is always fully invested. This is the growth with income version of the model.

### Wealth Accumulation Strategic – Income with Moderate Growth

Seeks to provide a well-diversified, cost-effective solution for clients that are in the accumulation phase of their investing life cycle. Built for long-term investors who desire an asset allocation model that is always fully invested. This is the income with moderate growth version of the model.

### Wealth Accumulation Strategic – Income with Capital Preservation

Seeks to provide a well-diversified, cost-effective solution for clients that are in the accumulation phase of their investing life cycle. Built for long-term investors who desire an asset allocation model that is always fully invested. This is the income with capital preservation version of the model.

### **TACTICAL MODELS:**

#### ETP Tactical – Growth with Income

Actively managed and designed to incorporate IFPAM's best ideas. The portfolios are traded more frequently than the strategic models and can go to cash when market conditions warrant.

### **INCOME ORIENTED MODELS:**

#### Diversified Income - ETP Taxable

The strategy is best suited for clients whose focus is on generating income. The strategy seeks to invest in exchange traded products that are distributing current income. The goal of the strategy is to provide higher levels of income than IFPAM's investment objective benchmark. The strategy is only offered in one investment objective, although IFP offers both a taxable and a non-taxable version, depending on the tax status of the account. This is the taxable version of the model, intended for use with taxable/non-qualified accounts.

#### Diversified Income - ETP Non-Taxable

The strategy is best suited for clients whose focus is on generating income. The strategy seeks to invest in exchange traded products that are distributing current income. The goal of the strategy is to provide higher levels of income than IFPAM's investment objective benchmark. The strategy is only offered in one investment objective, although IFP offers both a taxable and a non-taxable version, depending on the tax status of the account. This is the taxable version of the model, intended for use with non-taxable/qualified accounts.

#### Diversified Income – Mutual Fund Taxable

The strategy is best suited for clients whose focus is on generating income. The strategy seeks to invest in



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mutual funds that are distributing current income. The goal of the strategy is to provide higher levels of income than IFPAM's investment objective benchmark. The strategy is only offered in one investment objective, although IFP offers both a taxable and a non-taxable version, depending on the tax status of the account. This is the taxable version of the model, intended for use with taxable/non-qualified accounts.

### Diversified Income – Mutual Fund Non-Taxable

The strategy is best suited for clients whose focus is on generating income. The strategy seeks to invest in mutual funds that are distributing current income. The goal of the strategy is to provide higher levels of income than IFPAM's investment objective benchmark. The strategy is only offered in one investment objective, although IFP offers both a taxable and a non-taxable version, depending on the tax status of the account. This is the taxable version of the model, intended for use with non-taxable/qualified accounts.

### **THIRD PARTY MODELS:**

#### DFA Market Plus ETF – Aggressive Growth ETF

The Dimension models were developed to provide clients of IFP with an opportunity to access the Dimensional investment style. IFP Asset Management constructed the Dimension models based on the Dimensional asset allocation philosophy using Dimensional Funds and ETFs. These portfolios are strategically managed by IFPAM. The model benefits from an ability to utilize both the insight and track record of Dimensional and the portfolio construction experience of IFPAM. This is the aggressive growth version of the model.

#### DFA Market Plus ETF – Growth

The Dimension models were developed to provide clients of IFP with an opportunity to access the Dimensional investment style. IFP Asset Management constructed the Dimension models based on the Dimensional asset allocation philosophy using Dimensional Funds and ETFs. These portfolios are strategically managed by IFPAM. The model benefits from an ability to utilize both the insight and track record of Dimensional and the portfolio construction experience of IFPAM. This is the growth version of the model.

#### DFA Market Plus ETF – Growth with Income

The Dimension models were developed to provide clients of IFP with an opportunity to access the Dimensional investment style. IFP Asset Management constructed the Dimension models based on the Dimensional asset allocation philosophy using Dimensional Funds and ETFs. These portfolios are strategically managed by IFPAM. The model benefits from an ability to utilize both the insight and track record of Dimensional and the portfolio construction experience of IFPAM. This is the growth with income version of the model.

#### DFA Market Plus ETF – Income with Moderate Growth

The Dimension models were developed to provide clients of IFP with an opportunity to access the Dimensional investment style. IFP Asset Management constructed the Dimension models based on the Dimensional asset allocation philosophy using Dimensional Funds and ETFs. These portfolios are strategically managed by IFPAM. The model benefits from an ability to utilize both the insight and track record of Dimensional and the portfolio construction experience of IFPAM. This is the income with moderate growth version of the model.

#### DFA Market Plus ETF – Income with Capital Preservation

The Dimension models were developed to provide clients of IFP with an opportunity to access the Dimensional



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investment style. IFP Asset Management constructed the Dimension models based on the Dimensional asset allocation philosophy using Dimensional Funds and ETFs. These portfolios are strategically managed by IFPAM. The model benefits from an ability to utilize both the insight and track record of Dimensional and the portfolio construction experience of IFPAM. This is the income with capital preservation version of the model.

### DFA Dimensional Core ETF Wealth Model – Aggressive Growth

The Dimension models were developed to provide clients of IFP with an opportunity to access the Dimensional investment style. IFP Asset Management constructed the Dimension models based on the Dimensional asset allocation philosophy using Dimensional Funds and ETFs. These portfolios are strategically managed by IFPAM. The model benefits from an ability to utilize both the insight and track record of Dimensional and the portfolio construction experience of IFPAM. This is the aggressive growth version of the model.

### DFA Dimensional Core ETF Wealth Model – Growth

The Dimension models were developed to provide clients of IFP with an opportunity to access the Dimensional investment style. IFP Asset Management constructed the Dimension models based on the Dimensional asset allocation philosophy using Dimensional Funds and ETFs. These portfolios are strategically managed by IFPAM. The model benefits from an ability to utilize both the insight and track record of Dimensional and the portfolio construction experience of IFPAM. This is the growth version of the model.

### DFA Dimensional Core ETF Wealth Model – Growth with Income

The Dimension models were developed to provide clients of IFP with an opportunity to access the Dimensional investment style. IFP Asset Management constructed the Dimension models based on the Dimensional asset allocation philosophy using Dimensional Funds and ETFs. These portfolios are strategically managed by IFPAM. The model benefits from an ability to utilize both the insight and track record of Dimensional and the portfolio construction experience of IFPAM. This is the growth with income version of the model.

### DFA Dimensional Core ETF Wealth Model – Income with Moderate Growth

The Dimension models were developed to provide clients of IFP with an opportunity to access the Dimensional investment style. IFP Asset Management constructed the Dimension models based on the Dimensional asset allocation philosophy using Dimensional Funds and ETFs. These portfolios are strategically managed by IFPAM. The model benefits from an ability to utilize both the insight and track record of Dimensional and the portfolio construction experience of IFPAM. This is the income with moderate growth version of the model.

### DFA Dimensional Core ETF Wealth Model – Income with Capital Preservation

The Dimension models were developed to provide clients of IFP with an opportunity to access the Dimensional investment style. IFP Asset Management constructed the Dimension models based on the Dimensional asset allocation philosophy using Dimensional Funds and ETFs. These portfolios are strategically managed by IFPAM. The model benefits from an ability to utilize both the insight and track record of Dimensional and the portfolio construction experience of IFPAM. This is the income with capital preservation version of the model.

### First Trust Strategic Risk Models - Aggressive Growth

The First Trust Strategic Risk Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are aimed at total return while diversifying the risk exposure of various asset classes over the long-term and are designed to provide IARs with a foundation to build scalable asset allocation solutions for their clients. This is the aggressive growth version of the model.

### First Trust Strategic Risk Models - Growth

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The First Trust Strategic Risk Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are aimed at total return while diversifying the risk exposure of various asset classes over the long-term and are designed to provide IARs with a foundation to build scalable asset allocation solutions for their clients. This is the growth version of the model.

### First Trust Strategic Risk Models - Growth with Income

The First Trust Strategic Risk Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are aimed at total return while diversifying the risk exposure of various asset classes over the long-term and are designed to provide IARs with a foundation to build scalable asset allocation solutions for their clients. This is the growth with income version of the model.

### First Trust Strategic Risk Models – Income with Moderate Growth

The First Trust Strategic Risk Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are aimed at total return while diversifying the risk exposure of various asset classes over the long-term and are designed to provide IARs with a foundation to build scalable asset allocation solutions for their clients. This is the income with moderate growth version of the model.

### First Trust Strategic Risk Models – Income with Capital Preservation

The First Trust Strategic Risk Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are aimed at total return while diversifying the risk exposure of various asset classes over the long-term and are designed to provide IARs with a foundation to build scalable asset allocation solutions for their clients. This is the income with capital preservation version of the model.

### First Trust Strategic Focus Models – All Equity Model

The First Trust Strategic Focus Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are designed to provide IARs with core equity, core fixed income and core alternatives foundations to build scalable asset allocation solutions for their clients. This is the “all equity” version of the model.

### First Trust Strategic Focus Models – Alternatives Model

The First Trust Strategic Focus Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are designed to provide IARs with core equity, core fixed income and core alternatives foundations to build scalable asset allocation solutions for their clients. This is the alternatives version of the model.

### First Trust Strategic Focus Models – Core Plus Fixed Income Model

The First Trust Strategic Focus Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are designed to provide IARs with core equity, core fixed income and core alternatives foundations to build scalable asset allocation solutions for their clients. This is the core-plus fixed income version of the model.

### First Trust Strategic Focus Models – Defensive Equity Model

The First Trust Strategic Focus Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are designed to provide IARs with core equity, core fixed income and core alternatives foundations to build scalable asset allocation solutions for their clients. This is the defensive equity version of the model.

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### First Trust Strategic Focus Models – Diversified Low Duration Fixed Income Model

The First Trust Strategic Focus Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are designed to provide IARs with core equity, core fixed income and core alternatives foundations to build scalable asset allocation solutions for their clients. This is the diversified low duration fixed income version of the model.

### First Trust Strategic Focus Models – Domestic Equity Model

The First Trust Strategic Focus Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are designed to provide IARs with core equity, core fixed income and core alternatives foundations to build scalable asset allocation solutions for their clients. This is the domestic equity version of the model.

### First Trust Strategic Focus Models – Equity Income Model

The First Trust Strategic Focus Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are designed to provide IARs with core equity, core fixed income and core alternatives foundations to build scalable asset allocation solutions for their clients. This is the equity income version of the model.

### First Trust Strategic Focus Models – High Income Model

The First Trust Strategic Focus Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are designed to provide IARs with core equity, core fixed income and core alternatives foundations to build scalable asset allocation solutions for their clients. This is the high-income version of the model.

### First Trust Strategic Focus Models – High Income Municipal Model

The First Trust Strategic Focus Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are designed to provide IARs with core equity, core fixed income and core alternatives foundations to build scalable asset allocation solutions for their clients. This is the high-income municipal version of the model.

### First Trust Strategic Focus Models – International Equity Model

The First Trust Strategic Focus Model Portfolios consist of ETFs and were created by the First Trust Advisors Model Investment Committee. These models are designed to provide IARs with core equity, core fixed income and core alternatives foundations to build scalable asset allocation solutions for their clients. This is the international equity version of the model.

### First Trust Strategic Focus Models – Limited Duration Municipal Model

The First Trust Strategic Focus Model Portfolios consist of ETFs and are created by the First Trust Advisors Model Investment Committee. These models are designed to provide IARs with core equity, core fixed income and core alternatives foundations to build scalable asset allocation solutions for their clients. This is the limited duration municipal version of the model.

### Pure American Funds – Conservative Growth & Income Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group (also known as American Funds). The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically.

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This version of the model seeks primarily to provide high current income, with a secondary goal of long-term growth of capital, through dividend-paying equities and fixed income securities.

### Pure American Funds – Conservative Income Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model seeks current income and preservation of capital primarily through a diversified portfolio of quality fixed income securities and dividend-paying equities

### Pure American Funds – Global Growth Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles, all managed strategically. This version of the model seeks long-term growth of capital through exposure to global companies with strong growth potential.

### Pure American Funds – Growth Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model seeks long-term growth of capital through exposure to companies primarily in the U.S. with strong growth potential.

### Pure American Funds – Growth with Income Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model seeks long-term growth of capital through exposure to equities, with a secondary goal of current income via dividend-paying equities and fixed income securities.

### Pure American Funds – Moderate Growth & Income Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model seeks a combination of long-term growth of capital and income as well as current income primarily through a balanced

exposure to growth- and income-oriented equities and fixed income securities.

### Pure American Funds – Preservation Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model primarily seeks preservation of capital, with a secondary goal of current income, through a diversified portfolio of high-quality fixed income securities.

### Pure American Funds – Retirement Income – Conservative Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model primarily seeks current income, long-term growth of capital and conservation of capital, with an emphasis on income

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and conservation of capital to support sustained, inflation-adjusted withdrawals.

### Pure American Funds – Retirement Income – Enhanced Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model primarily seeks current income, long-term growth of capital and conservation of capital, with an emphasis on income and growth of capital to support sustained, inflation-adjusted withdrawals.

### Pure American Funds – Retirement Income – Moderate Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model primarily seeks current income, long-term growth of capital and conservation of capital, to support sustained, inflation-adjusted withdrawals.

### Pure American Funds – Tax Aware Conservative Growth & Income Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model primarily seeks primarily to provide high current income and secondarily long-term growth of capital through dividend-paying equities and tax-exempt fixed income securities.

### Pure American Funds – Tax Aware Conservative Income Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model primarily seeks current income and preservation of capital primarily through a diversified portfolio of quality tax exempt fixed income securities and dividend-paying equities.

### Pure American Funds – Tax Aware Growth & Income Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model primarily seeks long-term growth of capital through exposure to equities with a secondary objective of current income through dividend-paying equities and tax-exempt fixed income securities.

### Pure American Funds – Tax Aware Moderate Growth & Income Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model primarily seeks a combination of long-term growth of capital and income and current income primarily through a balanced exposure to growth- and income-oriented equities, and tax-exempt fixed income securities.

### Pure American Funds – Tax Aware Moderate Income Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a

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wide variety of different investment styles that are managed strategically. This version of the model primarily seeks current income and long-term growth of capital, with a secondary objective of capital conservation, primarily through exposure to dividend-paying equities and generally higher-quality tax-exempt fixed income securities.

### Pure American Funds – Tax-Exempt Preservation Model

The Pure American Funds Portfolios consist of mutual funds from the Capital Group. The allocations for the models are created by Capital Group/American Funds. These models are designed to offer investors with a wide variety of different investment styles that are managed strategically. This version of the model primarily seeks preservation of capital primarily and current income secondarily through a diversified portfolio of high-quality tax-exempt fixed income securities.

### **QUANTITATIVE MODELS:**

#### Risk Managed Quant Blend – Aggressive Growth

Seeks to blend four of IFPAM's investment strategies to create a core portfolio that seeks to add a quantitative risk management overlay. The underlying IFPAM strategies are subject to change, but currently include IFPAM's ETP Passive – Aggressive Growth strategy, IFPAM's Protective Asset Allocation Strategy, IFPAM's Vigilant Asset Allocation strategy and IFPAM's Tactical Bond Strategy. This is the aggressive growth version of the model.

#### Risk Managed Quant Blend – Growth

Seeks to blend four of IFPAM's investment strategies to create a core portfolio that seeks to add a quantitative risk management overlay. The underlying IFPAM strategies are subject to change, but currently include IFPAM's ETP Passive – Aggressive Growth strategy, IFPAM's Protective Asset Allocation Strategy, IFPAM's Vigilant Asset Allocation strategy and IFPAM's Tactical Bond Strategy. This is the growth version of the model.

#### Risk Managed Quant Blend – Growth with Income

Seeks to blend four of IFPAM's investment strategies to create a core portfolio that seeks to add a quantitative risk management overlay. The underlying IFPAM strategies are subject to change, but currently include IFPAM's ETP Passive – Aggressive Growth strategy, IFPAM's Protective Asset Allocation Strategy, IFPAM's Vigilant Asset Allocation strategy and IFPAM's Tactical Bond Strategy. This is the growth with income version of the model.

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Seeks to blend four of IFPAM's investment strategies to create a core portfolio that seeks to add a quantitative risk management overlay. The underlying IFPAM strategies are subject to change, but currently include IFPAM's ETP Passive – Aggressive Growth strategy, IFPAM's Protective Asset Allocation Strategy, IFPAM's Vigilant Asset Allocation strategy and IFPAM's Tactical Bond Strategy. This is the income with moderate growth version of the model.

#### Risk Managed Quant Blend – Income with Capital Preservation

Seeks to blend four of IFPAM's investment strategies to create a core portfolio that seeks to add a quantitative risk management overlay. The underlying IFPAM strategies are subject to change, but currently include IFPAM's ETP Passive – Aggressive Growth strategy, IFPAM's Protective Asset Allocation Strategy, IFPAM's Vigilant Asset Allocation strategy and IFPAM's Tactical Bond Strategy. This is the income with capital preservation version of the model.



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### Quantitative Composite

This is a model of models which blends together four different quant strategies into one. The weight and underlying models are: The Protective Asset Allocation Strategy at 25%, the Vigilant Asset Allocation Strategy at 25%, the Defensive Adaptive Asset Allocation Strategy at 25%, and the Adaptive Asset Allocation Strategy at 25%.

### The Protective Asset Allocation Strategy

The Protective Asset Allocation Strategy is a quantitative, rules-based, momentum strategy that moves to cash quickly when asset classes begin demonstrating negative price momentum. The strategy considers momentum to choose between a global universe of 12 “Risk Assets,” holding up to 6 at any given time (model can hold 7 assets if the crash protection asset is short-term treasuries). Each of the 12 risk assets are first analyzed by looking at their absolute momentum, e.g., return relative to the risk-free rate, and then by comparing the asset's current price to its 13-month, month-end moving average.

The model considers the ratio of positive momentum asset classes to the entire 12 Risk Asset universe. Depending on the ratio of positive momentum assets to the universe, the model will deploy a proportionate amount to the positive momentum risk assets and cash. This is the most conservative of our quantitative strategies. The model is traded on the first trading day of each calendar month.

### The Robust Asset Allocation Strategy

The Robust Asset Allocation Strategy divides the portfolio among 7 global asset classes: U.S. Momentum, U.S. Large Cap Value, International Equities, International Value, U.S. Real Estate, Commodities, and Intermediate Term Treasuries. The products used in each asset class causes the portfolio to have a slight tilt towards value and momentum than our other quantitative strategies.

The Robust Asset Allocation model allocates positions by first analyzing each asset class’ 12-month return compared to the risk-free rate and also its price relative to its 12-month moving average. If the asset class’ price is above its 12-month moving average and also its 12-month return is positive, the portfolio will take a full position in the asset class, and if only one of the conditions is true, the portfolio will take a half position in the asset class, and if neither condition is true, that portion of the portfolio is left in cash.

When fully allocated (e.g., both conditions are true for each asset class), the model will consist of 20% US Momentum, 20% US Large Cap Value, 20% International Equities, 20% International Value Equities, 5% US Real Estate, 5% Commodities, and 10% Int-Term U.S. Treasuries. The model is traded on the first trading day of each calendar month.

### The Elastic Asset Allocation Strategy

The Elastic Asset Allocation Strategy considers momentum measured over multiple time frames, as well as correlation between assets, to allocate across both a global universe of risk assets and cash. The assets traded in this strategy include the U.S. equities (“SPLG”), the NASDAQ 100 (“QQQ”), international equities (“SPDW”), emerging markets (“SPEM”), Japan Equities (“FLJP”), intermediate term U.S. Treasuries (“IEF”), and high yield bonds (“JNK”). The model’s positions are weighted based on the geometrical weighted average of the historical returns, volatilities, and correlations. The model is flexible, or “elastic” in the sense that positions don’t have pre- defined weights, but are instead weighted based on their cardinal ranking of the above factors. The model is designed for tactical asset allocation and is traded on the first trading day of each calendar month.

### The Defensive Adaptive Asset Allocation Strategy

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The Defensive Adaptive Asset Allocation Strategy is a "meta" model of sorts, combining successful elements from multiple other quantitative strategies:

- Vigilant Asset Allocation: The strategy measures momentum across multiple timeframes from 1 to 12 months, with more recent momentum given more weight.
- Dual Momentum: Each asset traded must exhibit both positive momentum and stronger momentum than competing assets.
- Adaptive Asset Allocation: Minimum variance optimization with a "weighted" covariance matrix is used to determine how much of the portfolio to allocate to each asset.
- Defensive Asset Allocation: The strategy uses the same "canary universe" concept to know when to "turn off" the strategy and move to defensive assets.

Assets traded in the model include US Equities ("SPLG"), Europe Equities ("SPDW"), Japan Equities ("FLJP"), Emerging Market Equities ("SPEM"), US REITS ("RWR"), International REITS ("RWX"), Intermediate-Term Treasuries ("IEF"), Long-Term Treasuries ("SPTL"), Commodities ("PDBC"), and Gold ("SGOL").

The portfolio is traded on the first trading day of the month. This is one of the more actively traded quantitative strategies.

### The Adaptive Asset Allocation Strategy

The Adaptive Asset Allocation Strategy combines momentum with a minimum variance portfolio to trade a diverse array of global asset classes.

The strategy rules are as follows:

- At the close on the last trading day of the month, calculate the 6-month (approximately 126 trading days) return for each of the following 10 asset classes: US equities (represented by SPLG), European equities ("SPDW"), Japanese equities ("FLJP"), emerging market equities ("SPEM"), US REITs ("RWR"), international REITs ("RWX"), interim US Treasuries ("IEF"), long-term US Treasuries ("SPTL"), commodities ("PDBC") and gold ("SGOL").
- Go long at the close the five assets (e.g., half of the portfolio) with the highest 6-month return. Weight the five assets according to minimum variance optimization, using a "weighted" covariance matrix calculated based on 126-day correlation and 20-day volatility.
- Hold positions until the first trading day of the following month, at which point the portfolio is rebalanced based on the new signals.

### The Vigilant Asset Allocation Strategy

The Vigilant Asset Allocation Strategy is an aggressive momentum strategy that allocates 100% of the portfolio each month to a single asset from a small basket of either offensive or defensive assets. The strategy's approach to measuring momentum is heavily biased towards very recent months, with an asset class' one month momentum determining 40% of the asset class' momentum score, while the twelve-month momentum only

determines 2% of the score. This makes the Vigilant Asset Allocation strategy quicker to respond to market changes, but can also lead to high portfolio turnover. The strategy also makes use of a concept called "breadth momentum", in which the allocation to defensive assets is determined by the entire universe of risk assets, as opposed to the particular asset class. Put another way, the strategy uses market breadth to determine how much of the portfolio to allocate defensively.

If all four of the offensive assets exhibit positive momentum scores, the strategy will allocate 100% of the portfolio to the offensive asset with the highest momentum score. If any of the four offensive assets exhibit



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negative momentum scores, the strategy will allocate 100% of the portfolio to the defensive asset with the highest score (regardless of whether the score is > 0).

The assets traded in this strategy include Offensive and Defensive positions. The Offensive positions consist of U.S. equities ("SPLG"), international equities ("SPDW"), emerging markets ("SPEM"), and US aggregate bonds ("SPAB"). The Defensive positions consist of US corporate bonds (SPIB), intermediate term U.S. Treasuries ("IEF"), and cash.

The model is traded on the first trading day of each calendar

month. The Tactical Bond Strategy

The Tactical Bond Strategy trades a broad basket of bond assets based on "dual momentum". The strategy trades between the following asset classes: intermediate-term US Treasuries, long-term US Treasuries, Treasury Inflation-Protected Securities ("TIPS"), US Corporate Bonds, US High Yield Bonds, International Aggregate Bonds, emerging market bonds, and cash.

The strategy rules are as follows:

- At the close on the last trading day of the month, calculate the 6-month return for each of the eligible asset classes.
- Select the 3 assets with the highest 6-month return. For each, if the return is both positive and greater than the 6-month return of BIL (3-month US Treasuries ETF), allocate 1/3 of the portfolio on the first trading day of the next month, otherwise allocate that portion of the portfolio to cash.

The strategy is built for investors who want fixed income exposure, but also want a safety valve in place if we enter a new regime of rising interest rates.

The model is traded on the first trading day of each calendar month.

IFPAM accounts are managed on a discretionary basis. IFP does not pool your assets with those of other customers. IFP provides continuous and regular supervisory services over what are known as separately managed accounts. Among other things, the advice and management of your account are tailored to your individual and specific needs and objectives. Also, you retain the right to add or withdraw securities or cash, pledge securities, and vote securities. You will receive periodic statements directly from the account custodian.

### The Sector Rotation Strategy

The Sector Rotation Strategy is a momentum strategy that rotates between the various sectors within the U.S. economy. The model selects US stock market sectors displaying relative strength, but includes a safety valve that moves the entire portfolio to cash when the broader market is showing weakness.

The rules of the strategy are as follows:

- At the close on the final trading day of the month, calculate the return for each sector over the last 1, 3, 6, 9 and 12 months, and average those results together.
- Go long the top 3 sectors at the open of the next trading day, with 1/3 of the portfolio allocated to each sector, unless the S&P 500 (represented by SPY) closes below its 10-month moving average
- 

If the S&P 500 closes below its 10-month moving average, move the entire portfolio to cash.

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## FOCUSED STOCK / INDIVIDUAL EQUITY MODELS:

### Focused Value Factor Strategy

The Focused Value Factor Strategy uses a valuation ratio, known as the Acquirer's Multiple to find attractive takeover candidates. This metric targets undervalued companies that are generating strong operating earnings relative to their enterprise value. This not only helps find companies that are attractive for takeover, but also has proven to be a valuable predictive tool for future stock returns. In addition to finding companies with low acquirer's multiples, this model further examines how persistent each company's earnings are. Earnings persistence measures how much of a company's earnings are cash-based versus accrual based (recognizing revenue without a cash transaction). This filter removes companies with high amounts of accrual earnings (low earnings persistence).

This model is somewhat contrarian in nature, as it often invests in companies that have fallen out of favor in the public eye, but still are generating ample operating income relative to their enterprise value.

### Focused Shareholder Yield Strategy

The Focused Shareholder Yield Strategy invests in companies demonstrating strong Shareholder Yield. Shareholder Yield is measured by summing a company's dividend yield, its share buy-backs (the percentage of shares outstanding that have been repurchased or issued over the last year), and its net debt pay down (the amount of debt the company was able to reduce from its balance sheet). Essentially, the model is looking for companies that have been returning capital to shareholders in predictable manner. The model is not solely focused on obtaining dividend income, so should not be used as a substitute for a dividend or income strategy, but instead should be used for total return. The strategy tends to have a value tilt.

The Focused Shareholder Yield model is designed to be approximately sector neutral to the S&P 500. Each position receives an equal weight in the portfolio. The constituents are changed once per year based on the model's screening criteria.

### Focused Minimum Volatility Strategy

The Focused Minimum Volatility Strategy attempts to provide investors with market-like returns with less volatility than the broad market, as measured by the S&P 500. The model aims to smooth out the returns by reducing downside during bear markets, while still participating in up markets, albeit possibly to a lesser extent. By limiting drawdown, the model can help investors avoid emotional reactions to market sell-offs, which can cause them to sell at inopportune times.

The model invests in companies that have previously demonstrated lower than average volatility relative to the broader U.S. equity market.

The Focused Minimum Volatility model is designed to be approximately sector neutral to the S&P 500. The positions are then weighted based on their inverse volatility. The constituents are changed once per year, based on the model's screening criteria.

### Focused Quality Strategy

Focused Quality Strategy invests in companies with healthy balance sheets, earnings that are persistent in nature, and strong cash flow relative to liabilities. Companies evaluated typically demonstrate financial strength through high capital and sales profitability, high levels of free cash flow, low levels of debt, and low levels of accruals. Companies included in the model also tend to have a history of earnings stability.

The Focused Quality model is designed to be approximately sector neutral relative to the S&P 500. Each

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position receives an equal weight in the portfolio. The constituents are changed once per year, based on the model's screening criteria.

### Focused Dividend Strategy

Focused Dividend Strategy invests in companies that pay relatively higher levels of dividends. The model screens for companies that not only are paying dividends, but also for those companies that have had a history of consistently paying and/or increasing their dividends. Stocks in the portfolio are also analyzed by their payout ratio and the amount of dividends being paid relative to the amount of earnings a company is generating to ensure that the dividend is sustainable.

The weights of each position in the Focused Dividend model are then equally weighted. The constituents are changed once per year, based on the model's screening criteria.

### Focused Momentum Strategy

Focused Momentum model invests in companies that are experiencing positive price momentum. The philosophy behind the strategy is "the trend is your friend". The Focused Momentum model takes advantage of the fact that markets tend to continue to trend in the direction they're going much longer than most people assume possible. Investments that have performed well tend to continue to perform well and investments that have performed poorly tend to continue to perform poorly. However, there is always the risk and the inevitable reality that any trend will reverse, and when it does, clients will lose money. So, the right timing is important.

The Focused Momentum model tends to work best in strong upward trending markets. The strategy tends to lag in choppy, sideways markets. The strategy tends to have relatively high turnover as the constituents are reviewed and modified every month. Due to the relatively higher turnover and potential for realizing gains and losses, this strategy works best in qualified accounts, which means it is often not appropriate for non-qualified accounts.

### Focused GARP Strategy

Using Y-charts Growth at a Reasonable Price Strategy, IFP will buy the top 35 stocks on the first trading day of each month and sell anything in the model which is not in the top 35. Growth at a reasonable price (GARP) finds stocks with recent historical growth - in terms of earnings, sales, and assets - that are selling at low prices compared to the earnings and dividends they pay out.

### Hedge Fund Tracker Top 10 Strategy

Stocks come from the quarterly 13F filings, point in time, approximately 45 days after the end of month filing date of each quarter, typically by the middle of February, May, August and November. Thus, the model is reconstituted with an approximate 45-day lag after the quarter-end, with positions occasionally rebalanced to equally weight. Hedge funds considered must have AUM greater than \$3.5 billion and must have outperformed the S&P 500 Total Return from 2008, and over the last 3 years. The top 10 picks from the group are selected according to a "Combined Percent of Portfolio" method by summing each securities percent of portfolio for each filer. Stocks with the highest combined percentage count are picked first. ETFs, options and short positions are excluded.

### Hedge Fund Tracker Top 50 Strategy

Stocks come from the quarterly 13F filings, point in time, approximately 45 days after the end of month filing date of each quarter, typically by the middle of February, May, August and November. Thus, the model is reconstituted with an approximate 45-day lag after the quarter-end, with positions occasionally rebalanced to equally weight. Hedge funds considered must have AUM greater than \$3.5 billion and must have

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outperformed the S&P 500 Total Return from 2008, and over the last 3 years. The top 50 picks from the group are selected according to a “Combined Percent of Portfolio” method by summing each securities percent of portfolio for each filer. Stocks with the highest combined percentage count are picked first. ETFs, options, and short positions are excluded.

### **WRAP FEE PROGRAM VERSUS PORTFOLIO MANAGEMENT PROGRAM**

IARs provide asset management services through both Wrap Fee programs and other management programs. Under IFP’s traditional management program, there are two separate types of fees. IFP charges an investment advisory fee for advisory services, and other fees are charged by activity (e.g., a ticket fee), usage, service for each transaction (e.g., buy/sell/exchange) or usage or service by IFP, its custodian and/or our affiliated introducing broker-dealer, IFP Securities, for accounts held at the qualified custodian. Under a Wrap Fee program, advisory services and transaction services are provided for one fee to the client. From a management perspective, there is not a fundamental difference in the way an IFP IAR manages Wrap Fee accounts versus traditional management accounts. However, in a Wrap Program, there is an incentive to trade less. Otherwise, the significant difference is the way in which transaction services are paid. For Wrap Fee program, there is a separate disclosure document that should be provided to you, which is referred to as the Wrap Fee Brochure, and the purpose of the brochure is, among other things, to alert you about the features of the service, conflicts-of-interest and the fact that because the Wrap Fee “bundles” all services and transactions into 1 cost, it could quite possibly result in higher overall fees assuming a certain level of transactions and other services that you may want or experience in your account. The maximum fee for Wrap accounts is 2.0%, which coincides with IFP’s maximum fee if the account is not a TPAM account, but notably, a non-Wrap fee arrangement is more likely to be less than 2.0%, on average, because transaction costs and other service costs are paid in addition to the investment advisory fee. The maximum fee for a TPAM account is 2.5%. You should discuss with your IAR whether a Wrap Fee program would be better or worse for you considering the level of transactions and other service needs you have. See our Wrap Fee Brochure for a description of services, fees and conflicts-of-interest related to our Wrap Fee business.

### **USE OF THIRD-PARTY ASSET MANAGERS**

Some IARs will utilize the services of TPAMs to assist in managing your investments. The nature of the advisory and management services are determined between the client and the 3rd party investment adviser, and their services should be explained in their Form ADV 2A, and their Client Relationship Summary (“CRS”).

Your IAR can assist you with selecting and monitoring unaffiliated TPAMs offering asset management and other investment advisory services. Such arrangements with TPAMs are structured as either solicitor arrangements, whereby IFP would solicit clients to the TPAMs in exchange for a fee, without any authority to provide ongoing advice or account management, or as co-advisory arrangements, wherein both firms would have authority to provide ongoing advice and/or account management services in exchange for a fee split as negotiated by the respective firms. In situations where IFP/IAR are serving as co-advisors, your IAR is responsible for the initial and ongoing review and is also responsible for maintaining your current information. Generally, such a referral to such a third-party must be based upon a fiduciary/“Best Interest” determination, predicated upon reasonable due diligence, which supports the idea that the use of a third party would be in the best interest of you, the client. That being said, if IFP is not serving as a co-advisor, and is merely a solicitor, its scope of services and responsibility is more limited. In co-advisory arrangements, your IAR should assist you with identifying your risk tolerance, investment objectives, implementation strategies, etc. He or she will then recommend asset managers geared toward your stated investment objectives and risk tolerance. You will enter into an agreement directly with the TPAM.

Your IAR is available to answer questions you may have regarding your account and act as the communication conduit between you and the TPAM. Your IAR will be available to review the account(s) with you to determine if the TPAM is continuing to meet your investment objectives. Generally, TPAMs will exercise discretionary authority to determine

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the securities to be purchased and sold for you. In these situations, neither IFP, nor your IAR, has discretionary trading authority with respect to your account with the TPAMs(s) and are not responsible for investment selection or trade implementation in your accounts.

### PENSION PLAN ADVISORY AND CONSULTING SERVICES

IFP, through its affiliated IARs, provides consulting and advisory services to both ERISA and Non-ERISA employer-sponsored retirement plans, including, but not limited to, 401(k), 457(b), 457(f), 403(b), Simple IRA, SEP IRA, nonqualified, deferred compensation, pension and profit-sharing plans (collectively, “Plans” or individually, “Plan”) on both a one-time and/or ongoing basis.

IFP offers a suite of detailed engagement agreements which are customized for each client relationship and executed by the Plan’s designated fiduciary upon conclusion of a careful review, which, at times, includes the client’s independent legal counsel. Through its agreements, IFP is engaged to provide investment advisory services on either a “non- discretionary” basis (serving as a “fiduciary” as defined by §3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974 (“ERISA”)); or on a “discretionary” basis and thus will serve as an “Investment Manager” as defined by §3(38) of ERISA. Certain other additional services available from IFP would be considered non-fiduciary by definition and function and are explicitly detailed within the Plan’s executed agreement.

For non-discretionary services, IFP and its IARs will act in a solely advisory capacity and will not have or exercise any discretionary authority or control relative to the management or investment of the assets of the respective Plan.

For discretionary services, IFP and its IARs will be designated as the Investment Manager to the Plan and assume responsibility for the investment selection and asset management for the Plan’s master menu made available to the Plan participants from which to choose. In all cases, IFP will not serve as the “named fiduciary” of the Plan.

Our agreements offer our clients the opportunity to select one or more of the following services in various engagement categories:

#### **ERISA 3(21) Investment Adviser Fiduciary Services (Non-Discretionary):**

- Development of an Investment Policy Statement (“IPS”);
- Recommendations for the selection and monitoring of the Plan’s Designated Investment Alternatives (“DIAs”) that meet the standards set forth within the IPS or as established by other stated goals, objectives and restrictions communicated to IFP by the Plan’s fiduciaries that also satisfy ERISA’s §404(c) requirement that participant-directed retirement plans offer a “broad range” of investment options;
- Recommendations for selecting and monitoring the Plan’s Qualified Default Investment Alternatives (“QDIAs”);
- Recommendations for and monitoring of Third-Party Investment Managers, if utilized;
- Investment performance measurement, analysis and reporting;
- Attendance and active participation at Plan Oversight Committee meetings; and
- Individualized investment advice options for Plan Participants;

#### **ERISA 3(38) Investment Manager Fiduciary Services (Discretionary):**

- Development of an Investment Policy Statement (“IPS”);
- Selection and monitoring of the Plan’s DIAs;
- Selecting and monitoring of the Plan’s QDIAs;
- Investment performance measurement, analysis and reporting; and
- Attendance and active participation at Plan Oversight Committee meetings.

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## **ERISA Non-Fiduciary Services:**

- Consulting services to assist the Plan Sponsor with plan design (Settlor) decisions;
- Provide the Plan's Oversight Committee with fiduciary education and "best practices" awareness as well as advice on the development of a Committee Oversight Charter, if so desired;
- Assistance with selecting and monitoring non-fiduciary vendors (e.g., TPA, Recordkeeper, etc.); and
- Delivering or coordinating individual and/or group investment and plan provision education, enrollment support and general retirement planning guidance.

From time to time with the Plan Sponsor's permission, IARs can make the Plan or Plan participants aware of and offer services to them available from the IAR that the participant would contract for separate and apart from the retirement plan advisory and consulting services described above specific to Plan assets. In offering or delivering any such additional services, IAR is not providing the services while acting as a fiduciary under ERISA with respect to such offering of services applicability to plan assets. If any such separate services are offered to participants, they will make an independent assessment of the need for or merits of such services without reliance on the advice, judgment or influence of IFP or its IAR.

IFP intends to fully adhere to the guidelines and mandates set forth within the DOL's Prohibited Transaction Exemption (PTE) 2020-02 which became effective February 16th, 2020 specific to rollovers from qualified plans. As such, IFP will require any participant considering a rollover to complete IFP's Employer Plan Distribution disclosure and acknowledgment document, which details the rationale for the rollover recommendation and discloses important information and considerations in connection with the rollover decision that are acceptable to the client. IFP has a form designed to gather data and serve as a basis to evaluate the appropriateness of any such rollover recommendations.

## ***RETIREMENT PLAN INVESTMENTS DISCLOSURE AND FEES***

Fees for retirement plan services are negotiated prior to the signing of the appropriate IFP Retirement Plan Agreement and includes the negotiated fee to be compliant with ERISA §408(b)(2) mandates. This disclosure is required of all vendors providing services to a retirement plan or its participants and must disclose all direct and indirect compensation they will receive in exchange for the services they provide to a retirement plan. IFP's agreements with its Plan Sponsor clients disclose the services it will provide and the fee it will charge for those services and serves as its required ERISA §408(b)(2) disclosure. See Item 5 below for a description of fees such services, but they generally do not exceed 2% of the Plan assets when AUM-based, or \$250,000 for the large- "mega" Plan market and \$50,000 for the micro-small Plan market (e.g., <\$10 million) when flat fee-based.

## **TAX EXEMPT ORGANIZATIONS**

Some IARs of IFP work with tax exempt programs and provides services to employees of public-school systems and tax-exempt organizations that qualify under Section 501(c)(3) of the Internal Revenue Code. Services are usually provided through the organization's retirement accounts held in an Optional Retirement Plan ("ORP"), also known as a 401(a), 403(b) and 457 accounts. IARs primarily use TIAA or Fidelity to provide these services. Both programs apply a maximum fee allowed to be charged of 2.0% of AUM.



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## ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

IFP generally collects information about our clients through their client profiles and new account applications. Privacy is an important issue for all involved parties, and there are various regulations that govern the handling of personally identifiable information. IFP's Privacy Policy is initially given to the Client upon the opening of an account and is subsequently provided at least annually thereafter and upon request to IFP advisory Clients. In order to provide investment services, IFP solicits information concerning a client's name, address, financial situation, investment experience, tax status, tax reporting information and other personal non-public information.

Client information is shared with IFP IARs who act as Portfolio Managers for our Wrap accounts.

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## ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS

There are no restrictions placed upon your ability to contact and consult with your IAR who manages your account. In general, it is best to contact your IAR for questions, concerns, to update personal information, or obtain account information.

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## ITEM 9 – ADDITIONAL INFORMATION

### DISCIPLINARY INFORMATION

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material in your evaluation of IFP or its management.

IFP's disciplinary history consists of the following:

1. On January 13, of 2012, IFP agreed to and signed a Stipulation and Consent Order with the State of Florida Office of Financial Regulation that IFP and two Investment Adviser Representatives ("FPs") engaged in investment advisory business in the state of Florida without being properly registered. IFP paid a \$20,000 fine and also paid \$10,000 fines on behalf of each FP.
2. On October 7, 2013, IFP agreed to and paid an Administrative Penalty in the amount of \$2,500 to the State of California, Department of Business Oversight for failing to properly register an FP in the State of California.
3. On December 3, 2013, IFP agreed to and signed a Cease and Desist Order with the State of Oregon, Department of Consumer and Business Services, Division of Finance and Corporate Securities for failing to properly license an FP who had a place of business in the state of Oregon. IFP paid a \$3,600 fine.

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Various IFP's IARs are also registered representatives of our broker/dealer, and, in that capacity, they also solicit, recommend, offer, and sell securities through IFP Securities, a registered broker-dealer with the SEC and a member of FINRA and SIPC. Many of them are also licensed as independent insurance agents and hold insurance licenses in the states where they solicit, offer, and sell insurance products and are appointed with and represent various insurance companies. As such, IARs are able to receive separate, yet customary commission compensation resulting from the purchase and sales of securities and insurance product transactions on behalf of their investment advisory clients. However, they should not receive commission for the assets in the Wrap account since all such fees related to the Wrap Platform should be enveloped within the Wrap fee.<sup>15</sup>

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<sup>15</sup> For securities outside of the Wrap Fee Program, Clients are not under any obligation to purchase or sell securities or insurance products through



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IFP strives to:

- Disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our advisory fees;
- Evaluate whether the conflicts should be mitigated, eliminated or whether they can remain if disclosed to the Client;
- If the conflict remains, disclose the capacity in which IFP or our employees/IARs are acting in the transaction and whether any compensation is to be earned by the employees/IARs;
- Disclose any interest that IFP or our employees have in the transaction which may be adverse to your interest;
- Clients are not obligated to purchase recommended investment products from our firm or related parties;
- IFP conducts transaction reviews and periodic account reviews to assess whether recommendations and account composition appear suitable and in the Best Interest of the Client (such reviews are not a guarantee, and you are encouraged to notify our Transaction Review Team if you feel that your account is not positioned in a way that is in your Best Interest)
- Employees are required to seek approval of outside business activities; and
- We educate our employees regarding the responsibility of a fiduciary, including the need for having a reasonable basis for believing the investment advice provided to Clients.

### **CODE OF ETHICS**

IFP maintains a Code of Ethics for its IARs, supervised persons, and staff. As discussed below, IFP has in place an Investment Advisory Code of Ethics that provides for IFP and its IARs to discharge their fiduciary duty to Clients and to act in the best interest of the Client, avoiding conflicts of interest or, when permissible in light of our fiduciary duty, mitigation and disclosure of conflicts of interest would be acceptable. IFP takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations, as well as with IFP's policies and procedures. Further, IFP strives to handle Clients' non-public information in such a way to protect information from use and disclosure to others who do need to know such information, and our Privacy Policy address certain uses and restriction of personally identifiable information.

The Code of Ethics contains provisions for standards of business conduct to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about Client transactions.

IFP's Code of Ethics is distributed to each employee and IAR at the time of hire/contract, and as the Code is modified. In addition, IFP requires an annual certification by all employees/IARs regarding their understanding and compliance with the Code of Ethics. IFP also supplements the Code with annual training and ongoing monitoring of IAR activity.

A copy of IFP's Code of Ethics will be provided to any Client or prospective Client upon request to our Compliance Department at 813-341-0960. It is also available under the disclosures section of IFP's website.

### **PERSONAL TRADING**

From time to time, our Firm or one or more supervised persons purchases or own the same securities and investments that our FP recommends to their Clients. Conflicts of interest arise when a supervised person has personal accounts because they can potentially devote more time to monitoring his/her personal accounts as opposed to spending that time reviewing and monitoring Client accounts. In addition, there is a potential that IARs favor their personal accounts over Client accounts. When the recommendation to the Client involves individual stocks, stock options, bonds, and other

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the IAR when considering whether to implement any investment advisory recommendations made by the IAR. The decision to implement any or all recommendations is solely based on the discretion of the client. IFP also offers a non-qualified deferred compensation and executive benefits platform through its affiliation with IFP Insurance Group.

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general securities, there can be a conflict of interest with the Client because the IAR has the potential to engage in practices such as "frontrunning", scalping, and other activities that are potentially detrimental to Clients. We have adopted policies and procedures designed to prevent such conflicts and/or correct/address any detected activities that are not in full compliance. Moreover, we strive to fully disclose all material conflicts, including prohibition against more material conflicts such as trading ahead of our Clients.

We have also established policies and procedures to ensure that our supervised persons comply with applicable provisions of the Insider Trading and Securities Fraud Enforcement Act of 1988 ("ITSFEA"). To avoid conflicts of interest with Clients and to ensure compliance with ITSFEA, our Firm, among other things, does the following:

- Provides ongoing continuing education regarding avoiding conflicts of interest and complying with ITSFEA;
- Requires supervised persons to report quarterly securities trading in personal accounts (except mutual funds and government securities), which are monitored by the Transaction Supervision Team ;
- Prohibits supervised persons from executing securities transactions for Clients or in their personal accounts based on information that is not available to the public upon reasonable inquiry;
- Informs Clients that they are not required to purchase securities through our Firm or our FP's, although if they choose to purchase securities through their FP, the transaction will be executed through the Wrap Platform provider's broker/dealer or its broker/dealer network.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

IFP IAR's must execute securities transactions through IFP and/or its Wrap Program providers, unless IARs obtain authorization to execute securities transactions through another firm. Related persons of IFP (any advisory affiliate and any person that is under common control with IFP) can buy or sell securities identical to those securities recommended to Clients. Therefore, related persons will have an interest or position in certain securities that are also recommended and bought or sold to Clients. The policy of IFP is that related persons shall not put their interests before a Client's interest. IARs may not trade ahead of their Clients or trade in such a way to obtain a better price for themselves than for their Clients. IFP is required to maintain a list of all securities holdings for its associated persons. Further, associated persons are prohibited from trading on non-public information or sharing such information. IFP and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

In accordance with Section 204A of the Investment Advisers Act of 1940, IFP also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public information by IFP or any person associated with IFP. Further, the Code of Ethics contains prohibitions against such transactions. No IFP IAR or related person is permitted to recommend securities to advisory accounts or buy or sell securities for advisory accounts at or about the same time that the IAR or related person buys or sells the same securities for the IAR's own or related person's account, except in narrowly tailored cases as noted below for block transactions handled by the clearing platform, provided the customer receives the best price.<sup>16</sup> IFP requires that all registered employees' brokerage accounts be held at IFP. If an employee

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<sup>16</sup> IFP's current general policy has a 7-day Restricted Period, which means that an IAR may not place a trade in his/her own account, or for the benefit of their spouse and defined dependents (including those relying upon the IAR for material financial support), with a period 3 days prior to and 3 days after the IAR's own transaction in non-exempt securities. The 7-day Restricted Period stems from the fact that IFP and its IAR may not receive a better price than their customer, and oftentimes firms prohibit same day trading and trading within a defined Restricted Period as a way to prevent the risk of running afoul of the governing laws prohibiting such trading that usurps the client pricing opportunity.

IARs are prohibited from trading in the same day as the client in securities (*unless mutual funds and certain other securities exempted within the industry standards applicable to Codes of Ethics regulations governing investment advisers*), unless, in the case of block transactions, the IAR ensures that he/she places the client's execution price as "preferenced" over the execution price of the IAR. In that way, the IAR may receive an equal price as clients if all clients whose orders were handled by IFP's advisory clearing platform providers (Fidelity, Schwab/TD and Pershing/Pershing Advisory Services/PAS), provided all such orders for entire day get filled as the average daily price, or the FP price is worse than all IFP clients for the entire day. IFP understands each of its advisory clearing platform providers aggregate and allocate orders with each block at average daily price, so there

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cannot obtain needed services at IFP, it requires copies of all brokerage statements be provided to it directly from the third-party broker.

### **REVIEW OF ACCOUNTS**

#### **Managed or Ongoing Advisory Services**

**IFP Managed/Advised.** Managed account reviews are provided on an ongoing basis, typically based on a schedule agreed upon by you and your IAR. IFP does not impose a specific review schedule that IARs must follow. IAR are expected to review their accounts annually, and as frequently as quarterly. Beyond the timing of such periodic reviews, IARs are expected to review accounts that have experienced significant declines; known changes in your investment objectives, financial situation, liquidity needs, risk tolerance and other suitability factors. For this reason, it is important that you understand your responsibility to inform your IAR promptly of any changes to your information or circumstances, including changes to your financial condition, investment objectives and other suitability information. Such periodic review should reevaluate whether or not the account and investment strategy is still current and appropriate in light of recent market, securities and issuer-specific events and changes in your suitability information and other personal circumstances. However, more frequent reviews can be provided for an account depending on, among other issues, changes to your suitability information or market conditions.

**TPAM Managed.** In situations where an IAR recommended TPAMs to you, and serves as a co-advisor rather than a solicitor, earning AUM fees in exchange for ongoing account monitoring services, they are responsible for periodically monitoring such account activity. You may also request your IAR monitoring such accounts on an ongoing basis according to certain schedules and according to certain criteria or concerns that you establish.

#### **Supervision**

In addition to the IAR review, IFP has a Transaction Supervision Team consisting of Registered Principals who review customer transactions on a daily basis according to a risk-based approach. The Transaction Supervision Team is led by the Director of Supervision.

The Director of Supervision and the Supervisors working with the Director of Supervision review accounts and the onboarding stage and, in response to risk-based Red Flags, account reviews are commonly conducted. The Director of Supervision is empowered to enforce compliance with applicable rules, regulations, laws and IFP business policy, subject to escalation to the Executive/Business Conduct Committee, where account reviews and policies governing accounts are discussed and addressed. The voting members of that Committee are the Director of Supervision, CEO, President/COO, Chief Business Development Officer and the Chief Investment Officer. Other account activities, supervisory and compliance policies are escalated directly from IARs to the CEO and President/COO, who provide input and direction to Supervisory personnel.

For models developed and managed by IFPAM, IFP Chief Investment Officer and designee also manage and supervise client account activity and account allocations for accounts utilizing those models.

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should generally not be a possibility to receive a better price than a client with the same block trade. However, there is a challenge if there are multiple block orders that occur during the same day. This means that if multiple block orders occur within 1 day, the IAR is obligated to consider the execution price of all such client block orders, and the client receives no better price than all clients who received an order execution on a particular day. Considering the difficulties in ensuring such price preference to all clients with multiple block orders, and all such orders received may have disparate prices from one block to another, IFP's policy prohibits IARs from placing their orders same day as a client, unless the foregoing price assurance/leveling can occur. Such exceptions to the general policy of disallowing IAR to input their own orders in the same block with clients would require advance approval/clearance by a registered principal of IFP (Transaction Supervision Team), and if cleared, then IFP and the IAR must ensure after the executions for the entire day, the IAR receives no better price than all client on the respective day. The other condition for placing orders in this way is that the IAR does not have any non-public information.

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Retirement Plan Accounts, including rollover recommendations, subject to ERISA and DOL regulations are managed and supervised by IFP's Chief Business Development Officer.

Various products are also reviewed prior to submission to the respective advisory platforms (e.g., via Schwab/TD, Pershing, Fidelity and SEI). Such products subject to pre-clearance include variable insurance securities (annuities and life insurance) and complex products such as private placements and structured products.

### Account Statements

You should also review your account activity. IFP uses Pershing Advisory Services/Pershing, Fidelity and Schwab/TD Ameritrade as its Qualified Custodians. You will receive "Statements" directly from Qualified Custodians monthly if there is activity in the account and quarterly if there is no activity in the account. The term "Statements" refers to your official account record that reflects your account, its investments and other assets such as cash balances. Some Qualified Custodians include quarterly performance reporting in their Statements. IARs may use other service providers to prepare performance reports. If requested, IARs may also prepare performance reports for you if they have access to performance reporting software approved by IFP. Keep in mind that such performance reports that are not reports of the Qualified Custodian are not the official record of your account and assets, and could also contained incorrect data about your account. If you receive such performance reports, please always compare any performance reports prepared by firms that are not the Qualified Custodian against the account records/Statements prepared and made available to you by the Qualified Custodians. Accounts managed by other investment advisers/TPAMs send you reports (refer to their ADV 2A/Brochure and their Form CRS for a description of their services).

### FINANCIAL INFORMATION

IFP is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to Clients. Also, IFP has never filed or been the subject of a bankruptcy petition.

### CONFLICTS OF INTEREST

- Our FPs have incentives to increase the amounts in your accounts when their fee structure is based upon the value of investments in your account. So, they may encourage you to investment or transfer as much of your assets possible from other accounts, or otherwise request you fund your investment account with non-investment assets.
- When managing a client's account on a Wrap Fee basis, we receive as compensation for our investment advisory services, the balance of the total Wrap Fee you pay after custodial, trading and other management costs (including execution and transaction fees) have been deducted. Accordingly, we have a conflict of interest because we have a financial incentive to maximize our compensation by seeking to reduce or minimize the total costs incurred in your account(s) subject to a Wrap Fee. Schwab and other custodians have eliminated commissions or transaction fees for online trades of U.S. equities, ETFs and options (e.g., subject to \$0.65 per contract fee in the case of Schwab. Other custodians have their own fees). This means that, in most cases, when we buy and sell these types of securities, we will not have to pay any commissions to Schwab. We encourage you to review Schwab's pricing to compare the total costs of entering into a Wrap Fee arrangement versus a non-Wrap Fee arrangement. If you choose to enter into a Wrap Fee arrangement, your total cost to invest could exceed the cost of paying for brokerage and advisory services separately. To see what you would pay for transactions in a non-wrap account, please refer to Schwab's most recent pricing schedules available at [www.schwab.com/aspricingguide](http://www.schwab.com/aspricingguide).
- Our Wrap Fee does not cover all fees and costs. The fees not included in the Wrap Fee include charges imposed directly by a mutual fund or exchange traded fund which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees (such as a commission or markup) for trades executed away from [Schwab/Custodian] at another broker-

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dealer, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Fees for trading away are generally disallowed, subject, however, to consideration if such trades are, nevertheless, in the best interest of you, the client. Trades placed any from our custodians are subject to Best Execution obligations and should only be conducted if deemed in your best interest.

- A Wrap Fee is not based directly on the number of transactions in your account. Various factors influence the relative cost of our Wrap Fee program to you, including the cost of our investment advice, custody and brokerage services if you purchased them separately, the types of investments held in your account, and the frequency, type and size of trades in your account. The program could cost you more or less than purchasing our investment advice and custody/brokerage services separately.
- Because the Wrap Fee “bundles” all services and transactions into 1 cost, it could quite possibly result in higher overall fees assuming a certain level of transactions and other services that you may want or experience in your account. **You may be able to get the same services, paying separate fees for each service, at a lower aggregate fee to you.**
- Account Rollover recommendations presents a conflict of interest because FPs have an economic incentive to recommend you to rollover your retirement plan into an IFP advisory program account.
- You are under no obligation to engage the services of a FP or other professional recommended by IFP. You retain discretion over implementation decisions and will accept or reject recommendation from IFP or its FP. You are not obligated to use IFP for securities transactions or individual insurance provider products.
- Because IFP’s advisory fees and those of the other Third-Party Asset Managers (“TPAMs” or 3<sup>rd</sup> Party Investment Advisers”) within IFP’s advisory program are based on AUM, IFP and those TPAMs have a conflict of interest in valuing securities held in Client accounts, since a higher valuation produces higher advisory fees. To ensure that Client assets are accurately valued, for purposes of calculating fees, securities listed on any national securities exchange shall be valued, as of the valuation date, at the closing price on the principal exchange on which they are traded. Any other securities or investments shall be valued in a manner determined in good faith to reflect fair market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of the assets. Our custodians, in their sole discretion, may use the services of an independent valuation agent, as well as other independent sources with respect to the computation of market value of securities. The data contained in those reports has not been verified by IFP.
- When our personnel serve in the capacity as a RR or an insurance agent, IARs have a conflict of interest when they solicit, offer and sell securities and insurance products for which you would pay a commission, while also soliciting, offering and selling investment advisory services and managing the assets in your accounts and charging a separate investment advisory fee. IFP addresses this conflict of interest by requiring the IAR to disclose to you at the time a brokerage account is opened through IFP Securities the nature of the transaction or relationship, his or her role as an IFP Securities RR, and any compensation, including commissions that are paid by you and/or received by the FP. Moreover, our IARs, beyond mere disclosure, should, if such dual compensation were to be proposed, justify how such dual compensation is consistent with their fiduciary duty towards you. As a general policy, IFP prohibits an IAR from charging a commission for the same assets for which the IAR receives an AUM fee. You are encouraged to discuss with your IAR how each transaction, rollover recommendation, account allocation, implied hold recommendation and compensation approach is in your Best Interest. In situations where your IAR is managing/advising your account in exchange for an AUM fee, IARs are, absent a compelling justification, not supposed to charge a commission because such a dual compensation structure is not generally considered as in your Best Interest. IFP, if such dual compensation is detected, will seek to investigate and, absent a compelling justification, take corrective action.
- Changes in your financial situation and investment objectives, which are not recorded and accounted for, may ostensibly create incentives to manage/advise your account in ways contrary to your current situation. An example of this is if your liquidity needs increase, your surplus resources decrease and your time horizon becomes shorter, it would appear to be a conflict of interest for an IAR to have you invested in longer-term products, securities with a longer-term value proposition, packaged products such a fee-based annuities and/or complex products that have greater risks and require more analysis and work to advise or rollover, and



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when such work and needed analysis serves as a justification for a higher AUM fee or a reason that some assets were not liquidated, and this is particularly the case if such assets could have been liquidated and placed in assets not subject to an AUM fee (e.g., assets that would either not be subject to billing or that might be excluded from billing). If an IAR knew of those changes and did not adjust your account, then the conflict of interest would be known, and would not be acceptable by any standard. However, if such changes were not known, an IAR could not reasonably be expected to change the management/advisory style. In that respect, it is your responsibility to promptly notify us if there is a change in your financial situation or investment objectives.

- Commissions charged for assets under ongoing account advisory/management services are not generally an appropriate compensation approach. If for some reason, you or your IAR determine certain commission-based products/assets are in your Best Interest, you are not obligated to use IFP Securities or its affiliated insurance agency, or agencies under contract with IFP, for securities transactions or insurance products.
- Account Rollover/transfer recommendations presents a conflict of interest because IARs have an economic incentive to recommend you to rollover your retirement plan or IRA outside of IFP into an IFP advisory program account, including into a new IRA.
- You are under no obligation to engage the services of an IAR, TPAM or any other industry service provider recommended by IFP. However, once you enter into an arrangement with an IAR of IFP and/or a TPAM, your retention of discretion over implementation decisions are based upon the terms of your contract, and you should understand the termination of such a contract will be specified in the body of the contract. Otherwise, you may accept or reject recommendation from IFP or its IARs, unless you contractually vest limited investment discretion with your IAR.
- Some of our IAR engage in referring clients of IFP to other service providers such as accountants. Fees not allowed to be shared, unless a *bona fide* solicitor Agreement is in place. In these cases, a conflict of interest exists if the IAR is receiving any fees as a solicitor and the firm receiving such referral enters into an agreement and manages or advises your account inappropriately, despite IFP lack of knowledge of how another firm might manage/advise your account. Another conflict of interest would be if there is a tacit expectation or understanding if IFP/IAR refers you to another investment adviser and/or IAR, then there would be a referral back from those entities or individuals to IFP. IFP policy disallows such “tied” or “tacit” agreements.
- Securities and insurance products sold in exchange for a commission also have conflicts of interest when the product sold has a higher commission or fee than another product (e.g., private placements and variable annuities have higher fees than many other registered securities products. Some indexed or market-linked fixed annuities also have relatively higher fees).
- Your IAR has an incentive to convert assets purchased in a brokerage/commission-based environment to an investment advisory account/fee so that they can start earning fees on such the value of the respective account. Such conversions are subject to a fiduciary/Best Interest analysis. Also, in that sense, there would be a period where, essentially, double compensation appears to exist for the same assets, and, as indicated, such conversions are subject to a fiduciary/Best Interest analysis.
- Because IFP’s advisory fees and those of the other TPAMs within the IFP’s advisory program are based on assets under management/AUM, IFP and those TPAMs have a conflict of interest in reflecting or realizing a higher value of the securities held in Client accounts since a higher valuation produces higher advisory fees. To ensure that Client assets are accurately valued, for purposes of calculating fees, securities listed on any national securities exchange shall be valued, as of the valuation date, at the closing price on the principal exchange on which they are traded. Any other securities or investments shall be valued in a manner determined in good faith to reflect fair market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of the assets. Our custodians, in their sole discretion, may use the services of an independent valuation agent, as well as other independent sources with respect to the computation of market value of securities. The data contained in those reports has not been verified by IFP. As an IFP policy, private placements that are not subject to periodic/updated valuation assessment should not

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be subject to an AUM fee.<sup>17</sup>

- When we provide you with a recommendation as your investment adviser or as your broker-dealer, we must 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. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice you receive.
- The foregoing notwithstanding about policy prohibitions against charging a commission and an AUM fee, an example of a conflict, as noted above, is that IFP Advisors, IFP Securities and IFP Insurance Group are under common ownership. Your IAR may suggest that you implement investment advice by purchasing securities products through a commission-based IFP Securities, LLC account. If you choose to purchase these products through IFP Securities, then IFP and your IAR will receive a commission based on the specific product purchased. A conflict will exist between the interests of IFP, your IAR and your interests because your IFP will earn compensation for each arrangement. A commission for the commission-based account an advisory fee for managed account and a fee for financial planning services when applicable.
- You are free to implement investment advice through any broker-dealer or product sponsor you chose. However, you should understand that, if you authorize our IAR to engage in securities transactions on your behalf, your IAR must place all purchases and sales of securities products through IFP Securities or other IFP-approved institutions.
- Not only do you want to know how much you will pay in fees, but you should also understand how your IAR is incentivized. Your IAR has an incentive in the fee charged to you as they receive a percentage of the fee with the remaining amount of the fee retained by IFP.
- IFP receives an incentive based upon the number of accounts opened with Pershing, which could impact the recommendation to open an HSA account, and could impact the likelihood, when opening an HSA account, to use Pershing rather than another custodian.
- IFP's receipt of fees based upon margin balances maintained for clients held with Pershing.
- IFP receives a portion of the fees paid by you for collateral/non-purpose loans provided by Pershing.
- IFP does not offer a money market sweep account with Pershing that do not have 12b-1 fees.
- IFP receives more money from you when you open a margin account if you are charged an AUM fee because such fees are generally applied to the total credit in the account, and does not consider the debit, particularly if the debit is held in another account.
- An IAR will either earn a commission for recommending a product or service if they are acting in a broker capacity or they may earn a fee in the form of a one-time fee or an ongoing fee if they are acting in an advisory capacity. Depending on your facts and circumstances, either are appropriate (both may be appropriate in differing circumstances, but generally are not appropriate at the same time, for the same assets), but both revenue streams are generally not appropriate at the same time, for the same assets, and generally are against IFP policy in those cases. As indicated herein, if an asset was originally purchased in a brokerage transaction, and is later converted into an investment advisory account, such conversions are subject to a fiduciary/Best Interest analysis.
- IFP and your IAR can receive additional compensation from third-party firms such a product providers or service providers. If you are interested in learning more, please review IFP's Revenue Sharing Disclosure at [https://ifpartners.com/wp-content/uploads/2021/09/Revenue\\_Sharing\\_Disclosure-9.2021.pdf](https://ifpartners.com/wp-content/uploads/2021/09/Revenue_Sharing_Disclosure-9.2021.pdf), or you may request a hardcopy of it by contacting your IAR or IFP Compliance at (813) 341-0960. Revenue Sharing:
- Revenue sharing is a form of a conflict of interest. IFP has entered into various arrangements with some companies where revenue sharing occurs. Although IFP endeavors at all times to put the interest of its clients ahead of its own or those of its officers, directors, or representatives ("affiliated persons"), these arrangements could affect the judgment of IFP or its FPs when recommending investment products. Because

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<sup>17</sup> For such billing AUM fee on private placements, IFP 's policy is that IFP may bill on private placements that do not charge a commission and that have periodic valuations (e.g., not merely a beginning and end valuation), except that private placements may be placed under an AUM fee without a periodic valuation during the accumulation and capital raise so long as such issuers compute a NAV with regular updates in the holding phase of such capital.



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these situations present a conflict of interest that may affect the judgment of our financial professionals, IFP believes it is important that you are aware of our revenue sharing arrangements when you and your financial professionals evaluate your investment options.

- IFP has established revenue sharing arrangements with a select group of companies that offer a broad spectrum of products. These Companies participate in activities that are designed to help facilitate the distribution of their products. Companies participating will have greater access to our financial professionals through marketing activities, training, and other educational presentations so that our financial professionals can better serve their clients.
- These payments can originate from the company's distributor, its investment adviser, and/or other related entities. Certain Companies will make this payment from investment assets, while others will not. While the revenue sharing arrangements with each company will vary, IFP typically receives a flat fee, payment based on sales, or payment based on assets under management. Such fees oftentimes are structured as due diligence fees and other product provider revenue streams, non-cash compensation/event-sponsorship and account transfer expense reimbursement. Based upon its review, IFP has concluded that no such revenue sharing runs afoul of the Soft Dollar Safe Harbor or applicable regulations governing non-cash compensation. Nevertheless, they broadly fall into the category of conflicts of interest.
- IFP and/or its IARs receive cash or non-cash compensation from product manufacturers and vendors for educational events, client meetings and other meetings because the amount of such benefits could influence the investment decisions made.
- IFP's program to provide Forgivable Notes to transfer their business to IFP present a conflict of interest as it incentivizes IAR's to maintain your relationship with IFP for the duration of the Note and/or to choose IFP over another firm.
- IAR may have outside business interests ("OBAs") unrelated to IFP. For example, in situations where your IAR serves in capacities such as an insurance agent, accountant, real estate agent, consultant or other businesses unaffiliated with IFP, then there is conflict of interest between your IAR and you, which does not involve IFP as an enterprise. Such conflicts of interest might also exist insofar as the IAR may earn more money from focusing relatively greater attention on such other activities than on managing and advising your account with IFP.
- If your IAR does not work full-time as an IAR of IFP, including in situations where the IAR has OBAs, your IAR has a conflict of interest in terms of splitting time and attention across various personal business interests outside of IFP and your account with IFP.
- Some IARs have received a one-time grant of IFP Group, LLC private stock. IFP Group is the holding company for IFP and IFP Securities. IARs who received this private stock do not serve as officers of IFP. However, they would have a % of ownership and have the ability to participate in IFP's overall profits. IARs are also eligible to participate in grant program due to their affiliation as RRs of IFP Securities, LLC. and/or IARs for IFP. This arrangement between certain IARs and IFP is a conflict of interest in that it can incentivize decisions to be made in the interest of the firm versus the interest of the client.

Our IARs are compensated based on:

- the amount of client assets they service;
- product sales commissions;
- the time and complexity required to meet a client's needs;
- the revenue IFP earns from the IAR's advisory services or recommendations; and/or
- the product sold (e.g., differential compensation; 1 product pays IFP more than another product).

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## RISK OF LOSS

**Past performance is not indicative of future results.** Therefore, you should never assume that the future performance of any specific investment or investment strategy will be profitable. Investing in any type of security (including stocks, mutual funds, bonds and any other securities/investments) involves partial or total

risk of loss. Further, different types of investments have varying degrees of risk. You should be prepared to bear investment loss, including loss of original principal. Moreover, within a Wrap Fee Program, the fees being fixed at a certain bundled price, which are paid regardless of the level of account activity or market performance, can result in greater account losses than if the assets were put into a brokerage account and you paid for each transaction and the account's ancillary services separately.

Because of the inherent risk of loss associated with investing, IFP and its FPs cannot represent, guarantee, or even imply that our services and methods of analysis:

- Can or will predict future results; or
- Successfully identify market tops or bottoms; or
- Insulate you from losses due to market corrections or declines.

There are certain additional risks that should be considered when investing in securities through an investment management program including, but not limited to:

- **Market Risk** - Either the stock market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is also referred to as systematic risk.
- **Equity (Stock) Market Risk** - Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence changes. Common stock, or common stock equivalents of any given issuer generally expose clients to greater risk than if they invest in preferred stocks and debt obligations of the investment grade issuers or issuers with relatively low credit/default risk.
- **Company Risk** - When investing in stock positions, there is always a material company and industry-specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company can be materially reduced.
- **Options Risk** - Options on securities are subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.<sup>18</sup>
- **Fixed Income Risk** - When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodic income payments face the risk that inflation will erode their spending power.
- **ETF and Mutual Fund Risk** - When investing in an Exchange Traded Fund ("ETF") or mutual fund, there are additional expenses based on your *pro rata* share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities that the ETF or mutual fund holds. Clients will also incur imbedded brokerage costs when purchasing ETFs. Leveraged and inverse ETFs are not suitable for all investors due to their unique characteristics and risks. Although there are limited occasions when a leveraged or inverse ETF can be useful for some types of investors, it is extremely important to understand that for holding periods that are longer than a day, there are leveraging and amplified losses possible, and these funds are generally more likely experience significant market risk.

<sup>18</sup> Naked/short options positions are not allowed with IFP.

- **Management (Advisory) Risk** - The value of the client's investment varies with the success and failure of IFP's or IAR's investment strategies, research, analysis, and determination of portfolio securities.
- **NTF** – these Funds are against IFP policy if accounts only have NTF funds in Wrap accounts, but a multi-asset/multi-fund type account is permissible because it can be much cheaper in a Wrap setting as long as the account is rebalanced/traded 1 time a year or more.