

# **Form ADV Part 2A Brochure**

**Petrovic Financial Services**

**4200 Somerset Drive, Suite 217**

**Prairie Village, KS 66208-5249**

**(913) 385-5523**

**March 27, 2023**

This Brochure provides information about the qualifications and business practices of Petrovic Financial Services (PFS). If you have any questions about the contents of this Brochure, please contact us at (913) 385-5523. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

PFS is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information from which you can determine whether to hire or retain an adviser.

## **Item 2 – Material Changes**

This Brochure dated March 27, 2023, represents the annual amendment to the Brochure for Petrovic Financial Services.

Since the filing of the firm’s annual Brochure, dated March 18, 2022, subsequently amended May 03, 2022, we have made minor updates, but no material changes were made to the Brochure.

Pursuant to SEC Rules, we will deliver to you a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. All such information will be provided to you free of charge.

Currently, our Brochure may be requested by contacting us at (913) 385-5523. Additional information about PFS is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with PFS who are registered as investment adviser representatives of the firm.

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#### **Item 4 – Advisory Business**

Petrovic Financial Solutions LLC, doing business as “Petrovic Financial Services” (“PFS”), is registered as an investment adviser with the Securities Exchange Commission (CRD# 273039). PFS is based in Kansas and is organized as a limited liability company under the laws of the State of Kansas. The firm was formed in 2015 and currently has 8 employees.

PFS’s principal office and place of business is located at 4200 Somerset Drive, Suite 217, Prairie Village, KS 66208-5249. Regular business hours are Monday through Friday 8:30 am to 5:00 pm. The firm can be contacted by phone at (913) 385-5523 and by fax at (913) 385-5524.

The firm is owned by Alex Petrovic, III, who also currently serves as PFS’s Chief Compliance Officer.

PFS provides ongoing discretionary and non-discretionary portfolio management services to individuals, families and businesses. When providing portfolio management services, the firm not only makes recommendations related to investments, but also implements these recommendations and provides ongoing monitoring and reporting. Clients may elect to give the firm discretion to make all decisions (discretionary management), give the firm discretion to make some decisions (limited discretionary management) or may prefer to approve all decisions before implementation (non discretionary management).

PFS has a third party sub-advisory relationship with Raymond James & Associates, Inc. (RJA) where client assets may be allocated to RJA to be managed on a continuous basis through discretionary mutual fund or exchange traded fund (ETF) management based upon the client’s financial objectives and risk tolerance. Accounts managed pursuant to this third party sub-advisory arrangement are classified as “Freedom Accounts” by our custodian, whereas accounts managed solely by PFS are classified as “Independent Clearing Accounts”. Terms related to Freedom Accounts are detailed in the applicable RJA service agreement and details about RJA are detailed in RJA’s disclosure brochure which is available upon request.

In addition to management services, PFS also provides investment advisory services to individuals, families and businesses where the firm makes ongoing investment recommendations, but the client is responsible for determining whether or not to implement recommendations, and if they decide to do so, are responsible for actual implementation.

Additionally, the firm provides project oriented and ongoing financial planning services to individuals and families where the firm offers advice or other strategic assistance in areas such as education funding, retirement planning, estate planning, risk management, employee benefits planning, tax planning, etc. When engaged to provide financial planning assistance, clients are responsible for determining whether or not to implement a recommendation, and if they decide

to do so, are responsible for implementation. The details of an engagement vary on a case by case basis depending on the complexity of the client's financial situation. Generally, however, an engagement involves identification of goals and objectives, collection and analysis of data, formulation of a strategy, and preparation of a written plan.

PFS also provides retirement plan services to businesses which may include plan level services such as discretionary management services, non-discretionary management services, and investment advisory services related to different types of retirement plans. When providing management services, the firm is responsible for implementing recommendations. When the firm is providing advisory services, the client is responsible for implementation of recommendations.

Regardless of the services provided, each is tailored to the individual needs of a particular client (whether an individual, a family, or a business) through an assessment conducted prior to an engagement. Clients may impose restrictions related to the level of discretion granted, the types of investments used, etc. Terms of an actual engagement, including description of service, limitations and restrictions, fees, etc., are all detailed before any engagement begins in a written client agreement.

Because the firm is a registered investment adviser, we are required to meet certain fiduciary standards when providing investment advice to clients. Additionally, when we provide investment advice related to a retirement plan account or an individual retirement account, we are considered fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. As such, we are required to act in your best interest and not put our interest ahead of yours, even though our compensation creates some conflicts with your interests in that the more you have us manage, the more we can earn. Our clients however are under no obligation to use services recommended by our associated persons. Furthermore, we believe that our recommendations are in the best interests of our clients and are consistent with our clients' needs.

As of December 31, 2022, the firm managed approximately \$153,183,988 in assets, approximately \$145,917,921 of which was managed on a discretionary basis, and approximately \$7,266,067 of which was managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Investment Management Services**

Fees charged for discretionary and non discretionary investment management services are negotiated prior to the engagement and are generally based on a percentage of assets under management at a rate not to exceed 1.5%, although the firm may charge fixed fees in limited cases. PFS may also charge recurring minimum fixed fees or up-front one-time planning fees but such fees will be fully disclosed in advance

Fees are generally calculated and charged quarterly in advance based on the average daily balance of assets under management during the preceding quarter. Fees for partial quarters are prorated based on the number of days assets are under management. Fees are generally deducted directly from client accounts, and may be deducted by PFS, PFS's sub-adviser, or both. In limited instances, clients may elect to alternatively pay fees by check.

Services may be terminated at any time by either party with 30 days written notice to the other party, and fees will be prorated accordingly. Any payments made in advance will be prorated and refunded to the client.

All management fees paid to PFS are separate and unrelated to any fees or expenses assessed by mutual funds or exchange traded funds, or to any trade commission charged by an account custodian or broker, although trade costs may at times be paid by PFS at the firm's discretion. Trading and other cost may also be included under certain platforms, and such cost details will be disclosed in advance in the applicable platform client service agreement and or PFS client agreement. Clients should note that platform costs may be more or less than purchasing services on a stand-alone basis depending on size of account, volume of activity, etc. Sub-advisory fees paid to RJA are paid by PFS from the total management fee charged to the client. Information pertaining to fund-generated fees and expenses can be found in mutual fund and exchange traded fund prospectuses.

### **Investment Advisory Services**

Fees charged for advisory services may be charged in advance or in arrears depending on the service provided. Fees are negotiated in advance, and generally range from .50% to 1.50% depending on the level of complexity of the engagement. Fee rates are based on actual services provided rather than being based on the level of assets managed as detailed above for investment management services.

In some cases, fees may be deducted directly from client accounts, but clients generally are billed directly on a quarterly basis.

Services may be terminated at any time by either party with 30 days written notice to the other party, and fees will be prorated accordingly. Any payments made in advance will be prorated and refunded to the client.

All advisory fees paid to PFS are separate and unrelated to any fees or expenses assessed by any broker, custodian, or other outside party.

### **Financial Planning Services**

Fees charged for financial planning services are quoted in advance and generally charged at a fixed amount. Quoted fixed fees will be based on the complexity and level of service provided on a case by case basis. As mentioned above, services may include planning in areas such as education funding, retirement planning, estate planning, risk management, employee benefits planning, tax planning, etc. Since each of these areas can vary in complexity depending on the complexity of the client's financial situation, cost will vary as well. Fees are negotiable depending on the circumstances of the engagement, location, etc.

Fees are generally billed directly to the client in arrears, although a portion of which may be billed in advance.

Services may be terminated at any time by either party with 30 days written notice to the other party, and fees will be prorated based on the degree to which services have been completed. Any payments made in advance will be prorated and refunded to the client.

All financial planning fees paid to PFS are separate and unrelated to any fees or expenses assessed by any broker, custodian, or other outside party.

### **Retirement Plan Services**

Fees charged for retirement plan services may be charged in advance or in arrears depending on the service provided. Fees may be fixed or asset based (not to exceed 1.50% annually), and are negotiable depending on the complexity of the service. Fee levels (whether fixed or asset based) are primarily based on actual services to be provided.

Fees may be deducted directly from client accounts on a quarterly basis, or clients may elect to alternatively pay fees by check or wire transfer. There is a minimum annual fee of \$1,000 per plan.

Services may be terminated at any time by either party with 30 days written notice to the other party, and fees will be prorated accordingly. Any payments made in advance will be prorated and refunded to the client.

All retirement plan fees paid to PFS are separate and unrelated to any fees or expenses assessed by any broker, custodian, or other outside party.

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

PFS does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client), and consequently does not simultaneously manage performance based and non performance based accounts.

#### **Item 7 – Types of Clients**

PFS provides services to individuals, businesses and retirement plans.

For its services, PFS does not require a minimum dollar value in assets for establishing or maintaining a client's account, but the firm reserves the right to decline engagements for various reasons including account size.

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

PFS's general investment strategy, consistent with the tenets of modern portfolio theory, is to attempt to reduce risk and volatility by building globally diversified portfolios. To implement this strategy, PFS primarily uses fundamental security methods of analysis, as well as market trend and economic cycle analysis. While mutual funds and exchange traded funds are the primary investment vehicles used in or recommended for client accounts, we may also use or recommend various other investment vehicles in the implementation of our strategies, including long-term purchases (securities held at least a year), short-term purchases (securities sold within a year), and trading (securities sold within 30 days). We may also recommend the use of discretionary third party sub-advisers.

Investing in securities involves risk of loss that clients should be prepared to bear. Such risks include market risk, interest rate risk, currency risk, and political risk, and loss of capital, among others. Additionally, certain trading strategies can affect investment performance through increased brokerage and other transactions. Each client's propensity for risk however is thoroughly evaluated, documented, and considered throughout the portfolio implementation process.



Although PFS intends to manage risk through the careful selection of investments, no investment strategy can assure a profit or avoid a loss.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the firm or the integrity of its management. PFS is currently not subject to, nor has ever been subject to, any legal or disciplinary events of a material nature.

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

Neither the firm nor any of its management persons conducts any other financial industry activities or has any other financial industry affiliations.

### **Item 11 – Code of Ethics**

#### **Code of Ethics**

PFS has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. The PFS Code of Ethics describes the firm's fiduciary duties and responsibilities to clients, and details practices for reviewing the personal securities transactions of supervised persons with access to client information. The Code also requires compliance with applicable securities laws, addresses insider trading, and details possible disciplinary measures for violations. PFS will provide a complete copy of its Code of Ethics to any client upon request to the Chief Compliance Officer.

#### **Trading Conflicts of Interest**

Individuals associated with PFS are permitted to buy or sell securities for their personal accounts identical to or different than those recommended to clients. However, no person employed by PFS is allowed to favor his or her own interest over that of a client or make personal investment decisions based on the investment decisions of advisory clients.

In order to address potential conflicts of interest, PFS requires that associated persons with access to advisory recommendations provide annual securities holdings reports and quarterly

transaction reports to the firm's Chief Compliance Officer. PFS also requires prior approval from the Chief Compliance Officer for investing in any IPOs or private placements (limited offerings).

## **Item 12 – Brokerage Practices**

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

We do not maintain custody of client assets. Instead, we require all client assets be maintained in an account at a non affiliated “qualified custodian,” generally a broker-dealer or bank. We currently recommend that our clients use Raymond James & Associates, Inc. (RJA), a registered broker-dealer, member New York Stock Exchange/SIPC, as their qualified custodian. RJA functions as a custodian/broker, and is not involved with investment decisions, due diligence, portfolio management, suitability, etc. RJA will hold your assets in a brokerage account and will be able to buy and sell securities on your behalf.

Although PFS’s owner, Mr. Petrovic, was formerly affiliated with and received compensation from RJA, neither he nor PFS is currently affiliated with RJA. PFS is independently owned and operated.

While we recommend that you use RJA as custodian/broker, you will ultimately decide whether to do so and will open your account with RJFS or another custodian/broker by entering into an account agreement directly with one of them. We cannot actually open accounts for you, but we can assist you in opening an account at whatever custodian/broker you decide to use.

### ***How We Select Custodians and Brokers***

When recommending a custodian or broker for our clients, we consider many different factors including quality of service, types of services offered, overall capability, execution quality, competitiveness of transaction costs, availability of investment research, reputation of the firm, and financial resources, among other things. In determining the reasonableness of a broker’s compensation, we consider the overall cost to you relative to the benefits you receive, both directly and indirectly, from the broker.

### **Your Brokerage and Custody Costs**

Our clients receive various services directly from RJFS, our custodian. For our clients' accounts that RJFS maintains, RJFS generally does not charge separately for custody services but instead is compensated by charging commissions or other fees on trades that it executes or trades that are executed by other brokers to and from RJFS accounts. Fees applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a certain level of assets at RJFS. We feel this commitment benefits you because we expect the overall rates you pay will be lower than they might be otherwise.

Since RJFS charges you a fee for each trade that we have executed by a different broker-dealer, we have RJFS execute most trades for your account in order to minimize your trading costs.

We have determined that having RJFS execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means seeking the most favorable terms for a transaction based on all relevant factors, including those listed above.

#### Products and Services Available to Us from Brokers/Custodians

Our primary custodian provides us and our clients with access to its institutional brokerage services like trading, custody, reporting, and related services, many of which are not typically available to RJFS retail customers. RJFS also makes available various support services, some of which may help us manage or administer our clients' accounts, while others may help us manage and grow our business.

RJFS's institutional brokerage services which benefit you directly include access to a broad range of investment products, execution of securities transactions, and asset custody. The investment products available through RJFS include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

RJFS also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both RJFS's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at RJFS. In addition to investment research, RJFS also makes available software and other technology that provide access to client account data, facilitates trade execution for multiple client accounts, provides pricing and other market data, facilitates payment of our fees from our clients' accounts, and assists with back-office functions, recordkeeping, and client reporting.

RJFS also offers other services intended to help us manage and further develop our business. These services include educational conferences and events, as well as consulting on practice management topics such as technology, business succession, and benefits/insurance providers.

The availability of these services from RJFS benefits us because we do not have to produce or purchase them. Of course, benefits such as this may give us an incentive to recommend that you maintain your account with RJFS based on our interests rather than yours, which is a potential conflict of interest. We believe, however, that our selection of RJFS as custodian and broker is in the best interests of our clients, and is primarily supported by the scope, quality, and price of RJFS's services and not RJFS's services that benefit only us.

### **Aggregation of Transactions**

PFS may, from time to time, aggregate client orders into blocks in order to facilitate more efficient account management and execution. When aggregating orders, an average price is given to all participants in the block, or other measures are taken, in order to treat all accounts fairly.

## **Item 13 – Review of Accounts**

### **Review of Accounts**

Accounts are generally reviewed on a weekly, monthly, quarterly, or semi-annual basis, depending on the type of account. Reviews may be general in nature, addressing investment objectives, risk tolerances or asset allocations, or they may be more detailed, depending on circumstances. The level of detail of the review is generally triggered by factors such as market, political, or economic conditions, or the client's individual financial situation. Clients should notify the firm of any material personal financial changes.

### **Regular Reports Provided to Clients**

In addition to the monthly statements and confirmations of transaction that clients receive from the custodian, PFS may provide other reports directly to the client from time to time depending on the type of engagement. Investment management clients for example may receive periodic performance related reports. Financial planning clients may receive a planning analysis but do not receive regular reports from PFS.

PFS urges clients to carefully review custodial statements and compare them to the reports which we may provide.

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

PFS does not receive any compensation or non cash economic benefit for client referrals but may pay outside individuals or other professional entities to refer clients to us via a Solicitor's Agreement. Such agreements are structured to be in compliance with applicable securities laws. Each client is provided a disclosure statement prior to or at the time of entering into any advisory contract which describe the specific compensation arrangement. The advisory fee charged to clients will not increase as a result of the referral arrangement.

PFS does however receive economic benefits from our custodian in the form of support products and services that are made available to us and to other independent investment advisors. The products and services, how they benefit us, and the related conflicts of interest are described in Item 12 above. PFS may also receive occasional expense reimbursements from mutual fund providers for co-sponsoring client events.

The availability to us of products and services from our custodians, and expense reimbursements from mutual fund providers, is not conditional on us giving particular investment advice, such as buying particular securities for our clients.

## **Item 15 – Custody**

As noted in Item 12, PFS recommends that clients' assets be held by Raymond James Financial Services, Inc., as custodian. Although we do not hold assets, we may have limited control in some instances to trade on your behalf, to deduct our advisory fees from your account with your authorization, or to request disbursements to you or outside parties (although various types of written authorizations are required depending on the type of disbursement).

You will receive account statement directly from your custodian at least quarterly, which will be sent to the email or postal mailing address you provide. PFS urges clients to carefully review custodial statements and compare them to any account reports that we might provide.

## **Item 16 – Investment Discretion**

PFS will accept discretionary authority to manage securities accounts on behalf of clients, although we will also accept limited discretion and non discretionary accounts.

When granted full discretionary authority to manage accounts, PFS customarily has the authority to determine which securities and the amounts that are bought or sold. Any discretionary authority accepted by PFS however is subject to the client's risk profile and investment objectives and may be limited by any other limitations provided by the client in writing.

PFS will not exercise any discretionary authority until it has been given authority to do so in writing. Such authority is granted in the written agreement between PFS and the client. Discretionary authority can also be delegated to third party managers, but client must consent to such in writing.

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

PFS does not vote proxies on behalf of clients.

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

Registered investment advisers are required in some cases to provide certain financial information and or disclosures about their financial condition. For example, if the firm requires prepayment of fees for six months in advance, has custody of client funds, or has a condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients, it must provide financial information and make disclosures.

PFS has no financial or operating conditions which trigger such additional reporting requirements.