

# Mann Financial Group



## Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure

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This wrap fee program brochure provides information about the qualifications and business practices of Mann Financial Group. If you have any questions about the contents of this brochure, please contact us at the telephone number or email address listed above. 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. Mann Financial Group is a registered investment adviser, but registration does not imply a certain level of skill or training.

Additional information about Mann Financial Group is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and by searching for CRD# 297878.

## Item 2: Material Changes

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In this Item, Mann Financial Group is required to identify and discuss material changes since the last time this brochure was updated. Since the creation of this document in conjunction with our original filing with the Securities and Exchange Commission ("SEC"), there are no such material changes to identify or discuss.

## Item 3: Table of Contents

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## Item 4: Services, Fees and Compensation

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- A. Mann Financial Services, Inc. (doing business as Mann Financial Group, and referred to herein as "Adviser") offers the following types of advisory services through a wrap fee program.

### Services

- i. Discretionary & Non-Discretionary Investment Management: Adviser provides either discretionary or non-discretionary investment management services to clients on a continuous basis, depending on whether the client has granted Adviser a limited power of attorney to manage his or her account(s) on a discretionary basis. Such management services are based upon each client's current financial condition, goals, risk tolerance, income, liquidity requirements, investment time horizon, and other information that is relevant to the management of clients' account(s). Adviser generally recommends that clients fulfill their investment objectives by allocating their assets across a diversified risk-based portfolio of mutual funds and/or exchange traded funds ("ETFs"). This portfolio is generally rebalanced at least annually to remain in-line with the target asset allocation, though the asset allocation may be changed from time to time based on changes to a client's specific situation. Adviser typically provides investment advice with respect to limited types of investments, which generally include mutual funds and ETFs.

In addition to the investment management services described above, Adviser's wrap fee program includes certain brokerage services of Charles Schwab & Co., Inc. ("Schwab"), a broker-dealer registered with the SEC and a member of FINRA and SIPC. Adviser is independently owned and operated and not affiliated with Schwab. Schwab will act solely on instructions it receives from Adviser or its clients. Schwab has no responsibility for Adviser's services and undertakes no duty to clients to monitor Adviser's management of client accounts or other services provided by Adviser. Schwab will hold client assets in a brokerage account and buy and sell securities and execute other transactions when Adviser or its clients instruct Schwab to. Adviser does not open the account for clients,

though it may assist clients in doing so.

- ii. Selection of Other Investment Advisers: For certain clients, Adviser recommends or selects an independent and unaffiliated third-party investment adviser ("Third-Party Adviser") to manage the investments in such clients' accounts. Third-Party Advisers are evaluated pursuant to various proprietary screens for return history, management tenure, and risk profile (among other factors), and Adviser will conduct other due diligence as appropriate to confirm that such Third-Party Advisers are duly registered to manage such clients' accounts. Adviser generally retains the discretionary authority to hire or fire such Third-Party Advisers with or without notice to the client.

### Fees and Compensation

Adviser is compensated for its advisory services primarily by fees charged based on a client's assets under management with Adviser. Fees are negotiable, and each client's specific fee schedule is included as part of the investment advisory agreement signed by Adviser and the client.

Adviser's annual fee for investment management ranges between 0.25% and 2.25% of the client's assets under Adviser's management, and depends on the specific services rendered. The investment management fee is inclusive of transaction charges that would otherwise be charged directly to clients by Schwab, the broker-dealer that Adviser recommends to clients as further described above and below; Adviser pays such transaction charges on behalf of clients as part of its wrap fee program. In addition to compensating Adviser for investment management services, the wrap fee paid by clients allows Adviser to pay for brokerage and execution services provided by Schwab.

The portion of Adviser's investment management fee remitted to the Third-Party Adviser (if one is recommended or selected for a Client's account) generally ranges from 0.20% to 0.65%.

Fees are deducted in advance on a quarterly basis from clients' assets and based upon the market value of such assets managed by Adviser (including cash) as of the last day of the prior calendar quarter.

Though Clients will not pay transaction charges, they will still generally incur fees and expenses charged by the funds selected for or recommended to Clients (a mutual fund's or ETF's internal expense ratio, e.g.). These additional charges are separate and apart from the fees charged by Adviser. Schwab has eliminated commissions for online trades of U.S. equities, ETFs and options (subject to \$0.65 per contract fee). This means that, in most cases, when Adviser buys and sells these types of securities, Adviser will not have to pay any commissions to Schwab. Adviser encourages clients to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement. If a client chooses to enter into a wrap fee arrangement, the client's total cost to invest could exceed the cost of paying for brokerage and advisory services separately. To see what a client would pay for transactions in a non-wrap account, please refer to Schwab's most recent pricing schedules available at [schwab.com/aspricingguide](https://schwab.com/aspricingguide).

If Adviser or client terminates the advisory agreement before the end of a quarterly billing period, Adviser's fees will be prorated through the effective date of the termination. The pro rata fees earned for the remainder of the quarterly billing period after the termination will be refunded to client via check or direct deposit.

- B. The wrap fee program offered by Adviser may cost a client more or less than purchasing such investment management services separately through a non-wrap account, depending on the volume of trading and the size of the client's account. In general, a wrap fee program can be

comparatively less expensive for actively traded accounts; conversely, non-wrap fee programs can be comparatively less expensive for accounts in which there is minimal trading activity.

- C. Though wrap fees are inclusive of brokerage commissions and transaction fees, they are exclusive of other related costs and expenses which may be incurred by the client. Clients will generally incur certain charges imposed by custodians, brokers, and other third parties such as mark-ups and mark-downs, spreads paid to market makers, fees (such as a commission or markup) for trades executed away from Schwab at another broker-dealer, deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the wrap fee, and we shall not receive any portion of these commissions, fees, and costs.
- D. Since Adviser and its investment adviser representatives generally recommend that clients participate in the wrap fee program described in this brochure, it will receive compensation from the client as described above. A wrap fee is not based directly on the number of transactions in client accounts. Various factors influence the relative cost of Adviser's wrap fee program, including the cost of investment management, custody and brokerage services if a client were to purchase them separately, the types of investments held in a client account, and the frequency, type, and size of trades in a client account. This compensation may be more or less than if the client engaged Adviser or an alternative investment adviser to manage his or her account(s) through a non-wrap fee program in which brokerage and transaction fees are paid separately by clients. Therefore, Adviser and its investment adviser representatives have an incentive to recommend its wrap fee program to clients. Adviser pays Schwab transaction costs for each executed trade in wrap fee accounts. As a result, Adviser has a financial incentive to limit orders for wrap fee accounts because trades increase Adviser's transaction costs. Thus, an incentive exists to trade less frequently in a wrap fee program.

## Item 5: Account Requirements and Types of Clients

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Adviser generally provides its services to individuals, high-net-worth individuals, trusts, estates, business entities, charitable organizations and pension and profit sharing plans. The minimum account value required to open an account with Adviser is \$100,000, subject to negotiation.

## Item 6: Portfolio Manager Selection and Evaluation

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- A. Adviser tailors its advisory services to the individual needs of its clients by taking the time to understand clients' current financial condition, goals, risk tolerance, income, liquidity requirements, investment time horizon, and other information that is relevant to the management of clients' account(s). This information will then be used to make investment decisions or recommendations that reflect clients' individual needs and objectives on an initial and ongoing basis, which typically include the selection of a Third-Party Adviser. Adviser's investment decisions and recommendations (either directly or through a Third-Party Adviser) will allocate portions of clients' account(s) to various asset classes classified according to historical and projected risks and rates of return. For non-discretionary accounts, Adviser will review all such recommendations with clients, and clients will have the opportunity to accept or reject any recommendations; such clients are under no obligation to accept or implement any recommendation made by Adviser. For discretionary accounts, Adviser is granted a limited power of attorney in the investment advisory agreement signed by the client so that Adviser can make investment decisions and buy and sell securities in the client's account(s). Clients may impose restrictions on investing in certain securities or types of securities so long as such restrictions may reasonably be implemented by Adviser.

As described above, Third-Party Advisers are evaluated pursuant to various proprietary screens for return history, management tenure, and risk profile (among other factors), and Adviser will conduct other due diligence as appropriate to confirm that such Third-Party Advisers are duly registered to manage such clients' accounts. Adviser generally retains the discretionary authority to hire or fire such Third-Party Advisers with or without notice to the client.

Neither Adviser nor a third-party review the performance information presented by Third-Party Advisers to determine its accuracy and compliance with applicable standards. However, certain Third-Party Advisers maintain independent relationships with other third-parties that assist with performance reporting and manager evaluation.

- B. For clients that do not have their account(s) managed by a Third-Party Adviser, Adviser and its investment adviser representatives will manage such accounts directly as portfolio manager. There are no other related persons that will directly manage clients' accounts. The direct management of client accounts by Adviser (as opposed to a Third-Party Adviser) creates a conflict of interest to the extent Adviser does not have to pay any Third-Party Adviser for its portfolio management services, and can instead retain a higher percentage of its investment management fees. Adviser addresses this conflict of interest by evaluating each client's investment management needs, comparing its own direct management against Third-Party Advisers' management based on the same criteria, and making investment management selections and recommendations that are in the best interests of clients.
- C. The investment strategies used by Adviser when formulating investment advice or managing assets include the use of model portfolios that incorporate risk profiling, due diligence, institutional asset allocation, money manager selection, and investment policy development. The investment process first develops capital market assumptions (employing forward-looking risk, return and correlation assumptions based on economic data and market fundamentals), then determines asset allocations (depending on the risk profile of the particular client), makes investment selections (typically utilizing mutual funds and/or ETFs), and continually monitors performance to goals on an ongoing basis. Adviser typically utilizes model portfolios comprised of mutual funds and/or ETFs that are internally constructed and maintained.

Investing in securities involves risk of loss that clients should be prepared to bear. Past performance does not guarantee future returns.

Like any investment strategy, utilizing asset allocation through the use of mutual fund or ETF model portfolios involves material risks. Such material risks are described in further detail below:

- i. Investing for the long term means that a client's account will be exposed to short-term fluctuations in the market and the behavioral impulse to make trading decisions based on such short-term market fluctuations. Adviser does not condone short-term trading in an attempt to "time" the market, and instead coaches clients to remain committed to their financial goals. However, investing for the long term can expose clients to risks borne out of changes to interest rates, inflation, general economic conditions, market cycles, geopolitical shifts, and regulatory changes.
- ii. Investing based on model portfolios constructed and maintained by a third-party means that Adviser will be dependent on that third-party's ability to meet its investment objectives, perform in-line with Adviser's and clients' expectations, and refrain from assuming undue risk in clients' portfolios. There is no guarantee that any third-party adviser will be successful in these regards, or that any investment decision it makes will generate a positive return or prevent against a loss.
- iii. Investing in mutual funds does not guarantee a return on investment, and shareholders of a mutual fund may lose the principal that they've invested into a particular mutual fund. Mutual funds invest into underlying securities that comprise the mutual fund, and as such

clients are exposed to the risks arising from such underlying securities. Mutual funds charge internal expenses to their shareholders (which can include management fees, administration fees, shareholder servicing fees, sales loads, redemption fees, and other fund fees and expenses, e.g.), and such internal expenses subtract from its potential for market appreciation. Shares of mutual funds may only be traded at their stated net asset value ("NAV"), calculated at the end of each day upon the market's close.

Investing in ETFs bears similar risks and incurs similar costs to investing mutual funds as described above. However, shares of an ETF may be traded like stocks on the open market and are not redeemable at an NAV. As such, the value of an ETF may fluctuate throughout the day and investors will be subject to the cost associated with the bid-ask spread (the difference between the price a buyer is willing to pay (bid) for an ETF and the seller's offering (asking) price).

Clients are encouraged to carefully read the prospectus of any mutual fund or ETF to be purchased for investment to obtain a full understanding of its respective risks and costs.

- D. Adviser does not have and will not accept authority to vote client securities. Clients will receive their proxies or other solicitations directly from their broker-dealer or a transfer agent, as applicable, and should direct any inquiries regarding such proxies or other solicitations directly to the sender.

Neither Adviser nor any of its supervised persons accepts performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

## **Item 7: Client Information Provided to Portfolio Managers**

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The information that Adviser collects as part of its initial evaluation of a client's current financial condition, goals, risk tolerance, income, liquidity requirements, investment time horizon, and other information that is relevant to the management of clients' account(s) is also communicated to any Third-Party Advisers that may be selected or recommended by Adviser. Such information is used to develop a client's personal investment policy or an investment plan with an asset allocation target and create and manage a portfolio based on that policy and allocation target. Such communication of client information solely for the Third-Party Adviser's use in conjunction with providing their investment management services, and is at all times pursuant to Adviser's privacy policy.

## **Item 8: Client Contact with Portfolio Managers**

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There are no restrictions placed on clients' ability to contact and consult with Adviser as their portfolio manager, or with an applicable Third-Party Adviser.

## **Item 9: Additional Information**

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### Disciplinary Information

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

### Other Financial Industry Activities and Affiliations

Neither Adviser nor any of its management persons are registered, or have an application pending to register, as a broker-dealer. Neither Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant,

commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Both Kevin Mann and Brian Mann are licensed insurance agents and from time to time will earn an ordinary and customary commission from the sale of an insurance product in such capacity. This creates a conflict of interest, because Kevin Mann and Brian Mann have the potential to earn both an insurance commission and advisory fee revenue from a client. Kevin Mann and Brian Mann address this potential conflict of interest by fully disclosing their relationship with the applicable insurance provider, and informing clients that they are under no obligation to purchase an insurance product through them.

Neither Adviser nor any of its management persons have any relationship or arrangement with any related person that is material to its advisory business. However, Adviser's principal office and place of business is located within a Midwest Bank branch. Adviser is a tenant that pays arm's-length lease payments for occupying space with its building, and from time to time Midwest Bank will introduce potential clients to Adviser for the referral fee described below.

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

- B. Adviser has adopted a code of ethics that will be provided to any client or prospective client upon request. Adviser's code of ethics describes the standards of business conduct that Adviser requires of its supervised persons, which is reflective of Adviser's fiduciary obligations to act in the best interests of its clients. The code of ethics also includes sections related to compliance with securities laws, reporting of personal securities transactions and holdings, reporting of violations of the code of ethics to Adviser's Chief Compliance Officer, pre-approval of certain investments by access persons, and the distribution of the code of ethics and any amendments to all supervised persons followed by a written acknowledgement of their receipt.

Neither Adviser nor any of its related persons recommends to clients, or buys or sells for client accounts, securities in which Adviser or any of its related persons has a material financial interest.

From time to time, Adviser or its related persons will invest in the same securities (or related securities such as warrants, options or futures) that Adviser or a related person recommends to clients. This has the potential to create a conflict of interest because it affords Adviser or its related persons the opportunity to profit from the investment recommendations made to clients. Adviser's policies and procedures and code of ethics address this potential conflict of interest by prohibiting such trading by Adviser or its related persons if it would be to the detriment of any client and by monitoring for compliance through the reporting and review of personal securities transactions. In all instances Adviser will act in the best interests of its clients.

From time to time, Adviser or its related persons will buy or sell securities for client accounts at or about the same time that Adviser or a related person buys or sells the same securities for its own (or the related person's own) account. This has the potential to create a conflict of interest because it affords Adviser or its related persons the opportunity to trade either before or after the trade is made in client accounts, and profit as a result. Adviser's policies and procedures and code of ethics address this potential conflict of interest by prohibiting such trading by Adviser or its related persons if it would be to the detriment of any client and by monitoring for compliance through the reporting and review of personal securities transactions. In all instances Adviser will act in the best interests of its clients.

#### Review of Accounts

Kevin Mann and Brian Mann monitor client accounts on an ongoing basis, and typically review and rebalance client accounts on at least an annual basis. Such reviews are designed to ensure that the client is still on track to achieve his or her financial goals, and that the investments remain

appropriate given the client's risk tolerance, investment objectives, major life events, and other factors. Clients are encouraged to proactively reach out to Adviser to discuss any changes to their personal or financial situation.

Other factors that may trigger a review include, but are not limited to, material developments in market conditions, material geopolitical events, and changes to a client's personal or financial situation (the birth of a child, preparing for a home purchase, plans to attend higher education, a job transition, impending retirement, death or disability among family members, etc.). To the extent an existing Third-Party Adviser is underperforming or a potential new Third-Party Adviser may benefit the management of a client's account, Adviser will periodically remove or add Third-Party Advisers as necessary and dependent on its own independent research.

The broker-dealer for client's account will send account statements and reports directly to clients no less frequently than quarterly. Such statements and reports will be mailed to clients at their address of record or delivered electronically, depending on the client's election.

#### Client Referrals and Other Compensation

Only clients provide an economic benefit to Adviser for providing investment advice or other advisory services to clients. However, as described in "Brokerage Practices" below, the broker-dealer recommended for client accounts (Schwab) provides certain products and services that are intended to directly benefit Adviser, clients, or both. Additionally, and as part of its lease arrangement with Midwest Bank, Adviser will pay to Midwest Bank 40% of the net revenues Adviser receives from any client account that was referred to the Adviser from Midwest Bank. Adviser's fees are not increased with respect to clients referred from Midwest Bank, and such referred clients will receive appropriate disclosure regarding this compensation arrangement.

#### Financial Information

Adviser does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Adviser does not have custody of client funds or securities, require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

#### Brokerage Practices

Adviser considers several factors when recommending a broker-dealer for client transactions and determining the reasonableness of such broker-dealer's compensation. Such factors include the broker-dealer's industry reputation and financial stability, service quality and responsiveness, execution price, speed and accuracy, reporting abilities, and general expertise. Assessing these factors as a whole allows Adviser to fulfill its duty to seek best execution for its clients' securities transactions. However, Adviser does not guarantee that the broker-dealer recommended for client transactions will necessarily provide the best possible price, as price is not the sole factor considered when seeking best execution. After considering the factors above, Adviser recommends Schwab as the broker-dealer for client accounts.

Adviser does not receive research and other soft dollar benefits in connection with client securities transactions, which are known as "soft dollar benefits". However, the broker-dealer recommended by Adviser does provide certain products and services that are intended to directly benefit Adviser, clients, or both. Such products and services include (a) an online platform through which Adviser can monitor and review client accounts, (b) access to proprietary technology that allows for order entry, (c) duplicate statements for client accounts and confirmations for client transactions, (d) facilitation of client fee payments, (e) back-office assistance such as recordkeeping and client reporting, (f) invitations to the broker-dealer's educational conferences and distribution of educational publications, (g) practice management consulting, (h) investment research, and (i) occasional business meals and entertainment.

The availability of such products and services from Schwab creates a conflict of interest, to the extent Adviser may be motivated to recommend Schwab as opposed to an alternative broker-dealer. Adviser addresses this conflict of interest by performing appropriate due diligence on Schwab to confirm its services are in the best interests of clients, periodically evaluating alternatives, and evaluating the merit of Schwab without consideration for the benefits received by Adviser. The availability of such products and services from Schwab are not contingent upon Adviser committing any specific amount of business to Schwab in trading commissions or assets in custody.

Adviser does not consider, in selecting or recommending broker-dealers, whether Adviser or a related person receives client referrals from a broker-dealer or third-party.

Adviser does not routinely recommend, request, or require that a client direct Adviser to execute transactions through a specified broker-dealer other than Schwab.

Adviser does not aggregate the purchase or sale of securities for client accounts.

### Custody

For clients that do not have their fees deducted directly from their account(s) and have not provided Adviser with any standing letters of authorization to distribute funds from their account(s), Adviser will not have any custody of client funds or securities. For clients that have their fees deducted directly from their account(s) or that have provided Adviser with discretion as to amount and timing of disbursements pursuant to a standing letter of authorization to disburse funds from their account(s), Adviser will typically be deemed to have limited custody over such clients' funds or securities pursuant to the SEC's custody rule and subsequent guidance thereto. At no time will Adviser accept full custody of client funds or securities in the capacity of a qualified custodian, and at all times client accounts will be held by a third-party qualified custodian. Currently Adviser does not have discretion as to the amount or timing of disbursements pursuant to any standing letter of authorization.

If a client receives account statements from both the broker-dealer and Adviser or a third-party report provider, client is urged to compare such account statements and advise Adviser of any discrepancies between them.