

## **Item 1: Cover Page**



**An Exceptional Life Financial, LLC**

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**Form ADV Part 2A – Firm Brochure**

**Dated: August 8, 2023**

This Brochure provides information about the qualifications and business practices of An Exceptional Life Financial, LLC, “AELF”. If you have any questions about the contents of this Brochure, please contact us at (317) 941-6492. 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.

An Exceptional Life Financial, LLC is registered as an Investment Adviser with the United States Securities and Exchange Commission (SEC). Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about AELF is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the firm’s identification number 288742.

## **Item 2: Material Changes**

Since the last filing on May 8, 2023, the following changes have been made to this version of the Disclosure Brochure:

- Items 4 & 5 – Adviser added the description and fees for Student Loan Consultation Services.
- Items 10, 12, 15, & 16 – Adviser updated the language in these sections to reflect our updated policies & practices.

### **Future Changes**

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of An Exceptional Life Financial, LLC.

At any time, you may view the current Disclosure Brochure on-line at the SEC's Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov> by searching for our firm name or by our CRD number 288742.

You may also request a copy of this Disclosure Brochure at any time, by contacting us at (317) 941-6492.

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## **Item 4: Advisory Business**

### **Description of Advisory Firm**

An Exceptional Life Financial, LLC is (“AELF”, “Advisor” or “We”) is a limited liability company organized under the laws of the State of Indiana and registered as an Investment Adviser with the Securities & Exchange Commission (SEC). We are a fiduciary financial planning firm that specializes in providing holistic, personalized financial planning, investment management, and tax preparation services to individuals, families, small businesses, and educational institutions.

As of December 31, 2022, our firm had over \$177 million of client assets under management. Over \$171 million on a discretionary basis and over \$5 million on a non-discretionary basis.

### **Types of Advisory Services**

#### **Financial Planning**

We provide financial planning services on topics such as retirement planning, risk management, college savings, cash flow, debt management, work benefits, and estate and incapacity planning.

Financial planning is an evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information and analysis will be considered as they affect and are affected by the entire financial and life situation of the client. Clients purchasing this service will receive written and/or electronic reports, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives.

In general, the financial plan will address any or all of the following areas of concern. The client and advisor will work together to select the specific areas to include. These areas may include, but are not limited to, the following:

- **Business Planning:** We provide consulting services for clients who currently operate their own business, are considering starting a business, or are planning for an exit from their current business. Under this type of engagement, we work with you to assess your current situation, identify your objectives, and develop a plan aimed at achieving your goals.
- **Cash Flow and Debt Management:** We will conduct a review of your income and expenses to determine your current surplus or deficit along with advice on prioritizing how any surplus should be used or how to reduce expenses if they exceed your income. Advice may also be provided on which debts to pay off first based on factors such as the interest rate of the debt and any income tax ramifications. We may also recommend what we believe to be an appropriate cash reserve that should be considered for emergencies and other financial goals, along with a review of accounts (such as money market funds) for such reserves, plus strategies to save desired amounts.
- **College Savings:** Includes projecting the amount that will be needed to achieve college or other post-secondary education funding goals, along with advice on ways for you to save the desired amount. Recommendations as to savings strategies are included, and, if needed, we will review your financial picture as it relates to eligibility for financial aid or the best way to contribute to grandchildren (if appropriate).
- **Employee Benefits Optimization:** We will provide review and analysis as to whether you, as an employee, are taking the maximum advantage possible of your employee benefits. If you are a business owner, we will consider and/or recommend the various benefit programs that can be

structured to meet both business and personal retirement goals.

- **Estate Planning:** This usually includes an analysis of your exposure to estate taxes and your current estate plan, which may include whether you have a will, powers of attorney, trusts and other related documents. Our advice also typically includes ways for you to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts.

We always recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We may provide you with contact information for attorneys who specialize in estate planning when you wish to hire an attorney for such purposes. From time-to-time, we will participate in meetings or phone calls between you and your attorney with your approval or request.

- **Financial Goals:** We will help clients identify financial goals and develop a plan to reach them. We will identify what you plan to accomplish, what resources you will need to make it happen, how much time you will need to reach the goal, and how much you should budget for your goal.
- **Insurance:** Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **Investment Analysis:** This may involve developing an asset allocation strategy to meet clients' financial goals and risk tolerance, providing information on investment vehicles and strategies, reviewing employee stock options, as well as assisting you in establishing your own investment account at a selected broker/dealer or custodian. The strategies and types of investments we may recommend are further discussed in Item 8 of this brochure.
- **Retirement Planning:** Our retirement planning services typically include projections of your likelihood of achieving your financial goals, typically focusing on financial independence as the primary objective. For situations where projections show less than the desired results, we may make recommendations, including those that may impact the original projections by adjusting certain variables (e.g., working longer, saving more, spending less, taking more risk with investments).

If you are near retirement or already retired, advice may be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

- **Risk Management:** A risk management review includes an analysis of your exposure to major risks that could have a significant adverse impact on your financial picture, such as premature death, disability, property and casualty losses, or the need for long-term care planning. Advice may be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the benefits of doing so and, likewise, the potential cost of not purchasing insurance ("self-insuring").
- **Tax Planning Strategies:** Advice may include ways to minimize current and future income taxes as a part of your overall financial planning picture. For example, we may make recommendations on which type of account(s) or specific investments should be owned based in part on their "tax efficiency," with consideration that there is always a possibility of future changes to federal, state or local tax laws and rates that may impact your situation.

We recommend that you consult with a qualified tax professional before initiating any tax planning strategy, and we may provide you with contact information for accountants or attorneys who specialize in this area if you wish to hire someone for such purposes. We will participate in meetings or phone calls between you and your tax professional with your approval.

Fees pertaining to this service are outlined in Item 5 of this brochure.

## **Private Client Service**

We provide a Private Client Service that includes a combination of the components of our Financial Planning, Investment Management and/or Annuity Management, and Tax Preparation Services, and is available to clients with \$350,000 or more in assets under management with our firm.

## **Investment Management Services**

We are in the business of managing individually tailored investment portfolios comprised of a variety of account types and/or annuity options. Our firm provides continuous advice to a client regarding the investment of his or her funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's investment plan, with an asset allocation target, and then build and manage a portfolio based on that policy and allocation target. During our data-gathering process, we determine the client's individual objectives, time horizon(s), risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, family composition, background, and other pertinent quantitative and qualitative information.

Account supervision is guided by the stated objectives of the client (e.g., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Fees pertaining to this service are outlined in Item 5 of this brochure.

### **Advising on Held-Away Accounts**

In addition to managing investment portfolios directly, we will also provide ongoing advice and supervision on held-away accounts that the client chooses to have us monitor and provide recommendations for, but cannot be transferred under our management, such as employee retirement accounts or other held-away investment accounts. This portion of the service will include:

- Selection of the appropriate investments based on the options that are available for the clients' held-away account(s).
- Ongoing monitoring and reporting on those accounts.
- Rebalancing recommendations based on their overall portfolio.

Under these arrangements, we will have informational access through an account aggregation service(s) available to our firm, and in limited instances, we may be able to obtain to a limited power of attorney on held-away accounts. Based on this access to their held-away accounts, those assets will be counted toward their total assets under management for purposes of calculating the annual advisory fee for assets directly under our firm's management. Fees for advising on the held-away accounts may be paid from the managed account (or other accounts) the client has under our direct management.

## **Tax Preparation**

We provide tax preparation services for our clients to assist with the filing of federal and state returns for individuals and businesses. We may ask for an explanation or clarification of some items, but we will not audit or otherwise verify client data. The client is responsible for the completeness and accuracy of information used to prepare the returns. Our responsibility is to prepare the returns in accordance with applicable tax laws. We will utilize the services of a third-party accounting, bookkeeping, and tax

preparation firm to facilitate the preparation and filing of clients' tax returns and work with them and the third-party in order to gather the necessary information as part of this service.

We may observe opportunities for tax savings that require planning or changes in the way the clients handle some transactions. While an engagement for tax preparation does not include significant tax planning services, we will share any ideas we have with clients and discuss terms for any additional work that may be required to implement those ideas, whether through one of our other services or with an outside professional.

## **Student Loan Consultation Service**

We provide a one-time, 30-minute consultation service where we review a client's existing student loans, employment history, and possibly other information, to determine whether we believe the client is eligible for a loan forgiveness program(s), the timeline for potential forgiveness, and/or if there are additional short-term or long-term strategies that Client could pursue to obtain loan forgiveness and/or optimal repayment at some point in the future. We provide general information regarding how the client can potentially apply for and attempt to receive student loan forgiveness, and/or pursue optimal repayment strategies on his or her own, but do not provide specific or tailored recommendations on how to proceed in this manner. Upon conclusion of the 30-minute consultation, these engagements are automatically complete; however, clients may choose to engage us for a Financial Planning project specific to student loan planning, should they desire specific or tailored recommendations on how to proceed with student loan forgiveness and/or repayment strategies.

## **Employee Benefit Plan Services**

Our firm provides employee benefit plan services to employer plan sponsors on an ongoing basis. Generally, such services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan and/or health savings account plan(s). As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan structure and participant education. This Form ADV Part 2A firm brochure serves as our ERISA Section 408(b)(2) disclosure.

In providing employee benefit plan services, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs (collectively, "Excluded Assets").

All retirement plan consulting services shall be in compliance with the applicable state laws regulating retirement consulting services. This applies to client accounts that are retirement or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and our firm accepts appointments to provide services to such accounts, our firm acknowledges its fiduciary standard within the meaning of Section 3(21) or 3(38) of ERISA as designated by the Retirement Plan Consulting Agreement with respect to the provision of services described therein. The appropriate Employer Benefits Plan Service providers will be selected upon initial consultation, based on size, demographics, and needs of the plan and may vary depending on the specifics of each engagement. Fees pertaining to this service are outlined in Item 5 of this brochure.

## **Educational Seminars and Speaking Engagements**

We may provide seminars on an "as announced" basis for groups seeking general advice on investments and other areas of personal finance. The content of these seminars will vary depending upon the needs of the attendees. These seminars are purely educational in nature and do not involve the sale of any investment products. Information presented will not be based on any individual person's need, nor does ALEF provide individualized investment advice to attendees during these seminars. Fees pertaining to this service are outlined in Item 5 of this brochure.

## **Client Tailored Services and Client Imposed Restrictions**

We offer the same suite of services to all of our clients. However, specific client financial plans and their implementation are dependent upon the client's financial plan and investment plan which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

## **Wrap Fee Programs**

We do not participate in wrap fee programs.

## **Item 5: Fees and Compensation**

How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below. The client has the right to terminate their relationship without penalty within five (5) business days after entering into an agreement with our firm.

### **Financial Planning - Hourly Fee**

Our rate for Financial Planning ranges from \$275 per hour. Hours are billed in 1/10 of an hour (6-minute) increments and rounded up to the nearest 1/10 of an hour increment, and may include meeting preparation time, meeting time with clients, time to work on follow-up projects and tasks from meetings, phone calls, and email correspondence. Clients are quoted a billable hour estimate prior to engaging in financial planning services.

For engagements of three hours or less, payment of hourly fees is due immediately upon completion of the engagement or meeting.

For engagements estimated to require greater than three (3) hours, we require a deposit of fifty percent (50%) of the estimated fee to be paid in advance, prior to the commencement of any work. In the event of early termination by a client, any fees for hours of work that have been completed will be due, and any remaining balance, if any, will be refunded.

The fee may be negotiable, in certain cases, at the discretion of AELF. Financial planning fees may be paid by check or electronic funds transfer and clients may terminate an hourly agreement at any time by notifying Advisor promptly.

### **Financial Planning - Annual Engagement**

Our fee range for the annual engagement of financial planning is \$3,000 - \$6,000, plus a non-refundable \$600 upfront fee for new clients, which is subject to the "give day" free look rule. The upfront portion of the Financial Planning fee is for Client onboarding, data gathering, and setting the basis for the financial planning relationship. Financial planning annual engagements include twelve to fifteen (12-15) hours of service, typically broken down as three (3) meetings per year that range from one to two (1-2 hours each) and the remaining time for meeting preparation and work on follow-up projects and tasks from meetings, such as preparing analysis and recommendations, assistance with implementation of recommendations, collaboration with other professionals, and communication with clients outside of meetings. Work hours and meeting time beyond fifteen (15) for the year are billed at a rate of \$200 per hour, and are due immediately upon completion of the engagement or meeting for which they are billed. Routine phone calls and email correspondence of 2/10 of an hour are generally excluded from the fifteen (15) total hours; however, if these require more time, each will be billed at a rate of \$200 per hour.



The fee may be negotiable and may be paid on either a quarterly or monthly basis, as agreed upon between the client and AELF. In certain cases, and at the discretion of AELF, and clients may terminate an annual engagement at the end of any calendar month by notifying Advisor promptly. If Client's upfront fee has been spread out to be paid monthly over twelve (12) months, termination prior to twelve (12) months will result in the remaining upfront fee to become due immediately. Since fees are paid in arrears, no refund will be required upon termination of the service. AELF will not bill an amount above \$1,200 more than 6 months in advance.

## Financial Planning - Fixed Fee

Financial Planning may be offered on a fixed fee basis for certain, projects of a limited scope. The fixed fee will be agreed upon before the start of any work. The fixed fee ranges between \$1,200 - \$6,000 depending on the complexity and needs of the client. The fee is negotiable. If a fixed fee program is chosen, generally 50% of the fee will be due upfront and the remainder is due at completion of work; however, AELF will not bill an amount above \$1,200 more than 6 months in advance. For fixed fee situations specific to student loan planning, a consultation fee of \$50-\$100 may be collected when a prospective client schedules an introduction/consultation meeting. Should the prospective client then engage in a fixed fee student loan plan, the consultation fee will be considered a credit to use toward the full fixed fee for the student loan planning engagement. Should the prospective client not engage in student loan planning, the consultation fee serves as compensation for the time utilized for the introduction/consultation meeting. Fees for this service may be paid by electronic funds transfer or check.

Upon termination, the refund will be calculated as follows: Initial Deposit (25% of total fee) minus hours worked prior to termination x \$275 (hourly rate) = Refund Amount.

## Private Client Services

Our standard Private Client Service fee is based on the market value of the assets under management/assets under advisement and is calculated as follows. There is an investable asset minimum of \$350,000 to be eligible for Private Client Services.

Account Value	Annual Fee
\$0 - \$999,999	1.20%
\$1,000,000 - \$1,999,999	1.10%
\$2,000,000 - \$2,999,000	1.00%
\$3,000,000 - \$3,999,999	0.90%
\$4,000,000 - \$4,999,999	0.80%
\$5,000,000 and Above	Negotiable

The annual fee may be negotiable and is paid in arrears on a monthly basis on the 15<sup>th</sup> of the following month or in advance on the first day of the calendar quarter. The fee is a tiered fee and is calculated by assessing the percentage rates using the predefined levels of assets as shown in the above chart and applying the fee to the average daily balance as of the last day of the previous month or quarter. If the average daily balance is not available, the ending account value from the previous month or quarter will be used; or if those are unavailable, the ending account balance from the most reliable past date recorded will be used. No increase in the annual fee shall be effective without agreement from the client by signing a new agreement or amendment to their current advisory agreement.

Advisory fees are directly debited from client accounts, or the client may choose to pay by check. Specific instructions for how accounts are debited is recorded on Schedule B of Client's agreement. For fee paid in advance, accounts initiated or terminated during a calendar month will be charged a pro-rated fee based on the amount of time remaining in the billing period. For fees paid in arrears, no refund will be needed upon termination of the account. An account may be terminated with written notice at least 30 calendar days in advance.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).

Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

We do not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

## **Investment Management Services**

Our standard advisory fee is based on the market value of the assets under management and assets under advisement and is calculated as follows:

<b>Account Value</b>	<b>Annual Fee</b>
<b>\$0 - \$499,999</b>	1.00%
<b>\$500,000 - \$999,999</b>	0.95%
<b>\$1,000,000 - \$1,499,999</b>	0.90%
<b>\$1,500,000 - \$1,999,999</b>	0.85%
<b>\$2,000,000 and Above</b>	0.80%

The annual fee may be negotiable and is paid in arrears on a monthly basis on the 15<sup>th</sup> of the following month or in advance on the first day of the calendar quarter. The fee is a tiered fee and is calculated by assessing the percentage rates using the predefined levels of assets as shown in the above chart and applying the fee to the average daily balance as of the last day of the previous month or quarter. If the average daily balance is not available, the ending account value from the previous month or quarter will be used; or if those are unavailable, the ending account balance from the most reliable past date recorded will be used. No increase in the annual fee shall be effective without agreement from the client by signing a new agreement or amendment to their current advisory agreement.

Advisory fees are directly debited from client accounts, or the client may choose to pay by check. Specific instructions for how accounts are debited is recorded on Schedule B of Client's agreement. For fee paid in advance, accounts initiated or terminated during a calendar month will be charged a pro-rated fee based on the amount of time remaining in the billing period. For fees paid in arrears, no refund will be needed upon termination of the account. An account may be terminated with written notice at least 30 calendar days in advance.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).

Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

We do not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

## **Tax Preparation**

The fees for tax preparation will be determined based on the complexity of the return and quality of recordkeeping, with a range of \$300-\$1,000. The fees may be negotiable in certain cases, will be agreed upon at the start of the engagement, and are due at the completion of the engagement. Clients are not required to utilize any third-party products or services that we may recommend and can receive similar services from other professionals at a similar or lower cost. Since fees are paid in arrears, no refund will be needed upon termination of this service.

## **Student Loan Consultation Service**

The fee for the Student Loan Consultation Service ranges from \$50 - \$150, depending on the demand for this service at the time of engagement.

## **Employee Benefit Plan Services**

AELF will be compensated for Employee Benefit Plan services according to a flat annual fee of \$2,000-\$5,000 for retirement plans with less than \$500,000 of plan assets, or based on the value of plan assets for retirement plans with more than \$500,000 in plan assets, not to exceed an annual fee of 1.00% of plan assets. This does not include fees to other parties, such as recordkeepers, custodians, or third-party-administrators. Fees for this service are either paid directly by the plan sponsor or deducted directly from the plan assets by the custodian on a quarterly basis, when AELF's fee is remitted.

Due to the complex nature and unique specifics of employee benefit plans, we provide a custom quote for each individual engagement. Generally, this annual fee ranges from 0.30% - 1.00% and is based on the total assets of the plan(s) and the specific services being provided to the plan sponsor and/or plan participants. Prior to entering into an employee benefit plan services engagement, Advisor and Client will define the specifics of the arrangement and come to a mutual agreement on the fees that will be paid to AELF.

## **Educational Seminars/Speaking Engagements**

### **Seminars**

Seminars are offered to organizations and the public on a variety of financial topics. Fees range from \$500 - \$3,000 per seminar, plus any applicable travel expenses. Fifty percent (50%) of the fees are due prior to the engagement, and the other fifty percent (50%) are to be paid the day of the Seminar, no later than the conclusion. The fee range is based on the content, amount of research conducted, number of hours of preparation needed, and the number of attendees. In the event of inclement weather or a flight cancellation, the Speaker shall make all reasonable attempts to make alternative travel arrangements to arrive in time for the presentation. If travel proves impossible, or the event is otherwise cancelled, the Speaker's fee is waived, but the Client will still be responsible for reimbursement of any non-refundable travel expenses already incurred. AELF reserves the right to conduct pro-bono seminars at its discretion.

In the event that the Client decides to cancel or change the date of the event for any reason besides weather or similar unforeseen causes, the Client will still be responsible for reimbursement of any non-refundable travel expenses already incurred and will provide payment for fifty percent (50%) of the Seminar fee if the cancellation occurs within 30 days of the event. In the event that the Speaker must cancel due to health or similar unforeseen circumstances, AELF will make all attempts to find a reasonable alternative engagement date and will absorb any incremental additional costs for obtaining alternative travel arrangements. If an alternative date cannot be obtained, the Client will not be responsible for any travel costs already incurred by the Speaker or any portion of the Speaker's fee.

### **Speaking Engagements**

Several of the Financial Planners of Adviser are available for public speaking. Generally, fees for speaking engagements range from \$500 - \$3,000 plus any applicable travel expenses, depending on the Client, date, location, and program requested. For all speaking engagements, fifty percent (50%) of the balance is due prior to the event and the remaining balance due the day of, no later than the conclusion of the speech, unless otherwise agreed. The fee range is based on the content, amount of research conducted, number of hours of preparation needed, and the number of attendees. The content is based on topics that are currently relevant in the financial planning environment. AELF reserves the right to conduct pro-bono speaking engagements at its discretion.

In the event of inclement weather or a flight cancellation, the Speaker shall make all reasonable attempts to make alternative travel arrangements to arrive in time for the presentation. If travel proves impossible, or the event is otherwise cancelled, the Speaker's fee is waived, but the Client will still be responsible for reimbursement of any non-refundable travel expenses already incurred. In the event that the Client decides to cancel or change the date of the event for any reason besides weather or similar unforeseen causes, the Client will still be responsible for reimbursement of any non-refundable travel expenses already incurred, and will provide payment for 50% of the Speaker's fee if the cancellation occurs within 30 days of the event. In the event that the Speaker must cancel due to health or similar unforeseen circumstances, the Speaker will make all attempts to find a reasonable alternative engagement date and will absorb any incremental additional costs for obtaining alternative travel arrangements. If an alternative date cannot be obtained, the Client will not be responsible for any travel costs already incurred by the Speaker or any portion of the Speaker's fee.

## **Other Types of Fees and Expenses**

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions). We do not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

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

We do not offer performance-based fees.

## **Item 7: Types of Clients**

We provide financial planning and investment management services to individuals, high net-worth individuals, pension and profit sharing plans, and corporations or other businesses. For clients who work with us on a financial planning basis, we do not have a minimum account size requirement. For clients who only work with us on an investment management basis, we have a minimum assets under management requirement of \$100,000, unless an exception is made by the firm's Chief Compliance Officer.

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

When clients have us complete an Investment Analysis (described in Item 4 of this brochure) as part of their financial plan, our primary methods of investment analysis are fundamental, technical, cyclical and charting analysis.

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Technical analysis** involves using chart patterns, momentum, volume, and relative strength in an effort to pick sectors that may outperform market indices. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may under perform other trading methods when fundamental factors dominate price moves within a given market.

**Cyclical analysis** is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**Charting analysis** involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends. Charts may not accurately predict future price movements. Current prices of securities may not reflect all information about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

### **Passive & Active Investment Management**

We primarily practice a combination of passive and active investment management. Investing involves building portfolios that are comprised of various distinct asset classes. The asset classes are weighted in a manner to achieve a desired relationship between correlation, risk and return. Funds that capture the returns of the desired asset classes are placed in the portfolio. The funds that are used to build portfolios are typically exchange traded funds (ETFs) and mutual funds that use active or passive strategies.

Passive investment management is characterized by low portfolio expenses (i.e. the funds inside the portfolio have low internal costs), minimal trading costs (due to infrequent trading activity), and relative tax efficiency (because the funds inside the portfolio are tax efficient and turnover inside the portfolio is minimal).

Active management involves a single manager or managers who employ some method, strategy or technique to construct a portfolio that is intended to generate returns that are greater than the broader market or a designated benchmark. Academic research indicates most active managers underperform the market.

## **Material Risks Involved**

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Advisor's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable to sell or liquidate investments at prices we consider reasonable or favorable, or find buyers at any price.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

### **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity.

Alternatively, investors can purchase other debt securities, such as zero-coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

**Options and other derivatives** carry many unique risks, including time-sensitivity, and can result in the complete loss of principal. While covered call writing does provide a partial hedge to the stock against which the call is written, the hedge is limited to the amount of cash flow received when writing the option. When selling covered calls, there is a risk the underlying position may be called away at a price lower than the current market price.

**Exchange Traded Funds** prices may vary significantly from the Net Asset Value due to market conditions. Certain Exchange Traded Funds may not track underlying benchmarks as expected. The liquidity of the underlying stocks in the index can affect "ETF liquidity." Liquidity risk can result from an insufficient number of "active participants" performing their duties as intermediaries and liquidity providers in the ETF market. "Spread risk" may also occur, which is the difference between the bid and the ask price of a security. Since ETF transactions are priced throughout the day and are traded on exchanges like stocks, widening spreads may occur and have impact on certain portfolios or transactions. As with any security, if the ETF "fails," the investor may lose their gains and invested principal. ETFs can carry additional expenses based on their share of operating expenses and certain brokerage fees. Indexed ETFs have the potential to be affected by "active risk," a deviation from its stated index.

**Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. The Advisor has no control over the risks taken by the underlying funds in which clients invest.

## **Item 9: Disciplinary Information**

### **Criminal or Civil Actions**

- AELF and its management have not been involved in any criminal or civil action.

### **Administrative Enforcement Proceedings**

- AELF and its management have not been involved in administrative enforcement proceedings.

## **Self-Regulatory Organization Enforcement Proceedings**

- AELF and its management have not been involved in legal or disciplinary events that are material to a client's or prospective client's evaluation of AELF or the integrity of its management.

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

Our advisory firm and its management are not registered nor have an application pending to register as a Financial Industry Regulatory Authority (FINRA) or National Futures Association (NFA) member firm or associated person of such a firm. We are not required to be registered with such entities, nor do they supervise our firm, its activities, or our associates. Neither our firm nor its management is or has a material relationship with any of the following types of entities:

- accounting firm or accountant (other than our own tax preparation services)
- another investment adviser, to include financial planning firms, municipal advisers, sub-advisers, or third-party investment managers (nor do we recommend/refer, select, or utilize their services)
- bank, credit union or thrift institution, or their separately identifiable department or division
- lawyer or law firm
- pension consultant (other than our own services)
- real estate broker, dealer, or adviser
- sponsor or syndicator of limited partnerships
- trust company, or
- issuer of a security, to include investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund).

## **Disclosure of Material Conflicts**

Our investment professionals (including management) are licensed insurance agents and are appointed with various unaffiliated insurance carriers via our insurance agency. They earn commissions and renewal income, as well as we earn "agency overrides," if a client purchases an insurance or fixed annuity contract. Further information regarding these activities may be found in each associates' accompanying Form ADV Part 2B brochure supplement. Whether they are serving a client in one or more capacities, they are required disclose in advance how they are being compensated and if there is a conflict of interest involving any advice or service being provided. At no time will there be tying between business practices and/or services; a condition where a client or prospective client would be required to accept one product or service which is conditional upon the selection of a second, distinctive tied product or service. A conflict of interest exists as these commissionable insurance sales may create an incentive to recommend products based on the potential compensation earned. To mitigate this potential conflict, AELF will always act as in the clients' best interests, as a fiduciary.

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

As a fiduciary, our firm and its associates have a duty of utmost good faith to act solely in the best interests of each client. Our clients entrust us with their funds and personal information, which in turn places a high standard on our conduct and integrity. Our fiduciary duty is a core aspect of our Code of Ethics and represents the expected basis of all of our dealings. The firm also adheres to the Code of Ethics and Professional Responsibility adopted by the CFP® Board of Standards Inc., and accepts the obligation not only to comply with the mandates and requirements of all applicable laws and regulations but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities.



## **Code of Ethics Description**

This code does not attempt to identify all possible conflicts of interest, and literal compliance with each of its specific provisions will not shield associated persons from liability for personal trading or other conduct that violates a fiduciary duty to advisory clients. A summary of the Code of Ethics' Principles is outlined below.

- Act with honesty, integrity, competence, and diligence.
- Act in the client's best interests.
- Exercise due care.
- Avoid or disclose and manage conflicts of interest.
- Maintain the confidentiality and protect the privacy of client information.
- Act in a manner that reflects positively on the financial planning profession and the CFP® certification.
- Ensure the timely and understandable disclosure of relevant information that is accurate, complete, and objective.
- Be responsible when determining the value of our services and our form of compensation; taking into consideration the time, skill, experience, and special circumstances involved in providing our services.
- Know the limits of our expertise, and refer our clients to colleagues and/or other professionals in connection with issues beyond our knowledge and skills.
- Not exploit any relationship or responsibility that has been entrusted to us.
- Employ and provide clients information on the Prudent Practices® when serving as an investment fiduciary and/or advising other investment fiduciaries.

We periodically review and amend our Code of Ethics to ensure that it remains current, and we require all firm access persons to attest to their understanding of and adherence to the Code of Ethics at least annually. Our firm will provide of copy of its Code of Ethics to any client or prospective client upon request.

### **Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Neither our firm, its associates or any related person is authorized to recommend to a client, or effect a transaction for a client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, advisor to the issuer, etc.

### **Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Our firm and its "related persons" may buy or sell securities similar to, or different from, those we recommend to clients for their accounts. In an effort to reduce or eliminate certain conflicts of interest involving the firm or personal trading, our policy may require that we restrict or prohibit associates' transactions in specific reportable securities transactions. Any exceptions or trading pre-clearance must be approved by the firm principal in advance of the transaction in an account, and we maintain the required personal securities transaction records per regulation.

## **Trading Securities At/Around the Same Time as Client's Securities**

From time to time, our firm or its "related persons" may buy or sell securities for themselves at or around the same time as clients.

## **Item 12: Brokerage Practices**

### **Factors Used to Select Custodians and/or Broker-Dealers**

Our clients' accounts must be separately maintained by a qualified custodian (generally a broker/dealer, futures commission merchant, national bank, or trust company) that is frequently reviewed for its capabilities to serve in that capacity by their respective industry regulatory authority. Our firm is not a custodian or broker/dealer, there is not an affiliate that is a custodian or broker/dealer, nor does a custodian or broker/dealer supervise our firm, its activities, or our associates. We do not receive referrals from a custodian or broker/dealer, nor would client referrals be a factor in our recommendation of a custodian or broker/dealer.

We seek to use custodians who will hold client assets and execute transactions on terms that are overall advantageous when compared to other available providers and their services. Our firm considers a wide range of factors, including, among others, these:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody).
- Capability to execute, clear and settle trades (buy and sell securities for an account).
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.).
- Breadth of investment products made available (stocks, bonds, mutual funds, ETFs, etc.).
- Availability of investment research and tools that assist us in making investment decisions.
- Quality of services.
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them.
- Reputation, financial strength, and stability of the provider.
- Their prior service to us and our other clients.
- Availability of other products and services that benefit us, as discussed below.

If a client engages us to provide periodic investment advice via a planning component, they have the right to keep their assets with their present custodian/service provider. If the client prefers a new service provider, a recommendation may be made by our firm that is based on client need, overall costs, ease of use, and following our review of the recommended provider.

We prefer that our clients use the brokerage services provided through Altruist Financial, LLC, Fidelity Institutional, and Charles Schwab & Co., Inc. ("Schwab). Each of these broker/dealers are FINRA and SIPC<sup>1</sup> member firms and our preferred custodians for client accounts. If a client does not wish to place their investment assets with our preferred custodian, we may be able to serve as investment adviser with another custodian of the client's choice (*aka*. "held-away" accounts), if the other custodian's policies allow us to do so, requiring the execution of a third-party trading agreement.

When a client account is maintained at one of our preferred custodians, the client is typically not charged separately for custody services and the custodian is compensated by charging a commission and/or other

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<sup>1</sup> Our firm is not, nor required to be, a FINRA or SIPC member. Information about the Financial Industry Regulatory Authority (FINRA) may be found at [www.finra.org](http://www.finra.org). You may learn more about the Securities Investor Protection Corporation (SIPC) and how it serves member firms and the investing public by going to their website at <http://www.sipc.org>.

associated fees on trades that the custodian or their affiliate executes or that settle into that custodian's account. Our custodians' fee rate applicable to our client accounts was negotiated based on our commitment to maintain a certain amount of clients' assets in accounts held at the custodian. This commitment benefits our client because overall rates are lower than they would be if we had not made the commitment. Our custodians also provide "business services" for independent investment advisory firms like ours; providing our firm and its clients with access to its institutional brokerage -- trading, custody, reporting and related services -- many of which are not typically available to a retail customer. Our custodians also make available various support services, some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. The noted support services are generally available to us on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a certain level of our clients' assets in accounts at that custodian. If we have less than the desired amount of client assets at a custodian, they may charge us service fees that we pay from our operating account. A custodian's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through our custodian include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Our custodian's services described above generally benefit our clients.

Our custodians also make available to our firm other products and services that benefit us but may not directly benefit each client's account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both a custodian's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at our custodian. In addition to investment research, our custodian also makes available software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and account statements).
- Facilitates trade execution and allocates aggregated trade orders for multiple client accounts.
- Provides pricing and other market data.
- Facilitates payment of our fees from our clients' accounts.
- Assists with back-office functions, recordkeeping, and client reporting.

Our custodians also offer other services intended to help us manage and further develop our business enterprise, such as:

- Educational conferences and events.
- Technology, compliance, legal, and business consulting.
- Publications and conferences on practice management and business succession.
- Access to employee benefits providers, human capital consultants and insurance providers.

Our custodians provide some of these services themselves. In other cases, they may arrange for third-party vendors to provide the services to us. A custodian may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. A custodian may also provide us with other benefits such as occasional business entertainment for our personnel. Some of the noted tools and services made available by our custodian may benefit our advisory firm but may not directly benefit a client account. Certain tools, services or discounts made available to our firm by our custodian benefit our advisory firm but may not directly benefit each client account.

While our firm does not think these services are considered "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934, certain jurisdictions where we serve client accounts believe they fall under this definition. The availability of these services benefits our firm because we do not have to produce or purchase them as long as clients maintain assets in accounts at a recommended custodian. There is a conflict of interest since our firm has an incentive to select or recommend a custodian based on our firm's interest in receiving these benefits rather than the client's interests in receiving favorable trade execution. It is important to mention that the benefit received by our firm through

participation in any custodian's program does not depend on the amount of brokerage transactions directed to that custodian, and our selection of a custodian is primarily supported by the scope, quality, and cost of services provided as a whole, not just those services that benefit only our advisory firm. Further, we will act in the best interest of our clients regardless of the custodian we may select. Our firm conducts periodic assessments of any recommended service provider which generally involves a review of the range and quality of services, reasonableness of fees, among other items, in comparison to industry peers.

## **The Custodians and Brokers We Use:**

### **Altruist Financial, LLC**

Altruist serves as a custodian of record for our clients, and provides brokerage, custody and execution services for our accounts. Our firm is independently owned and operated and is not legally affiliated Altruist. While we recommend our clients Altruist as a custodian, the client must decide whether to do so and will open their account with the custodian by entering into an account agreement directly with them. We do not technically open an account for a client, although we will assist them in doing so.

Prior to April 20, 2023, our firm's clients established brokerage accounts with Apex Clearing Corporation as custodian, through Altruist as introducing broker on a fully disclosed basis. Beginning April 20, 2023, our clients established brokerage accounts with Altruist as custodian. We maintain an institutional relationship with Altruist whereby Altruist provides certain benefits to our firm ("Support Services"). Altruist pays for or reimburses our firm for the costs of certain technology solutions to help facilitate our business practices and to streamline our operations. The payments may be substantial and are based on our firm's clients adding and/or transferring to and maintaining a certain amount (currently five million dollars (\$5,000,000)) in assets on Altruist's platform. The benefits provided to or on behalf of our firm will not directly benefit client accounts. The fees we charge will not be reduced by the value of the Support Services received by our firm from Altruist. The benefits provided to or on behalf of our firm are compensation to our firm in connection with providing advice to clients and therefore should be considered in assessing the reasonableness of the compensation arrangement between our advisory firm and its clients. Access to such economic benefits creates a financial incentive for our firm to maintain client accounts through Altruist as introducing broker and Apex Clearing Corporation as custodian – or, beginning April 20, 2023, through Altruist as custodian – which results in a conflict of interest for our firm.

Altruist offers independent investment advisers like our firm various services which may include custody of securities, trade execution, clearance, and settlement of transactions, and in which our firm receives benefits from those custodians through our participation in their services offerings which will be described in further detail below. These benefits may include the following products and services (provided either without cost or at a discount):

- Receipt of duplicate client statements and confirmations.
- Research related products and tools.
- Access to trading desks serving our clients.
- The ability to have advisory fees deducted directly from a client's accounts (per written agreement).
- Resource information related to capital markets and various investments.
- Access to electronic communications networks for client order entry and account information, and
- Discounts on marketing, research, technology, and practice management products or services provided to our firm by third-party providers.

Altruist may provide some of these services itself. In other cases, they may arrange for third-party vendors to provide the services to us. They may discount or waive fees for some of these services or pay all or a part of a third party's fees. Certain tools, services or discounts made available to our firm by our custodian benefit our advisory firm but may not directly benefit each client account. While our firm does not think these services are considered "brokerage or research services" under Section 28(e) of the

Securities Exchange Act of 1934, certain jurisdictions where we serve client accounts believe they fall under this definition. The availability of these services benefits our firm because we do not have to produce or purchase them as long as clients maintain their assets with our preferred custodians. There is an inherent conflict of interest since our firm has an incentive to select or recommend a custodian based on our firm's interest in receiving these benefits rather than a client's interest in receiving favorable trade execution. It is important to mention that the benefit received by our firm through participation in any custodian's program does not depend on the amount of brokerage transactions directed to that custodian, and our selection of a custodian is primarily supported by the scope, quality, and cost of services provided as a whole, not just those services that benefit only our advisory firm. We will act in the best interest of our clients regardless of the custodian we may select. Our firm conducts periodic assessments of any recommended service provider which generally involves a review of the range and quality of services, reasonableness of fees, among other items, in comparison to industry peers.

## **Fidelity Institutional**

We have entered into an agreement with Fidelity Institutional ("Fidelity") to serve as a custodian of record for our clients. Fidelity is a FINRA and SIPC member firm, as well as an SEC-registered broker/dealer. While we recommend that clients use Fidelity as custodian, the client must decide whether to do so, and will open their account by entering into an account agreement directly with Fidelity. Our firm does not technically open an account for a client, but we will assist our clients in doing so.

Fidelity offers independent investment advisers like our firm various services which may include custody of securities, trade execution, clearance, and settlement of transactions, and in which our firm receives benefits from those custodians through our participation in their services offerings which will be described in further detail below. These benefits may include the following products and services (provided either without cost or at a discount):

- Receipt of duplicate client statements and confirmations.
- Research related products and tools.
- Access to trading desks serving our clients.
- The ability to have advisory fees deducted directly from a client's accounts (per written agreement).
- Resource information related to capital markets and various investments.
- Access to electronic communications networks for client order entry and account information, and
- Discounts on marketing, research, technology, and practice management products or services provided to our firm by third-party providers.

Fidelity may provide some of these services itself. In other cases, they may arrange for third-party vendors to provide the services to us. They may discount or waive fees for some of these services or pay all or a part of a third party's fees. Certain tools, services or discounts made available to our firm by our custodian benefit our advisory firm but may not directly benefit each client account. While our firm does not think these services are considered "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934, certain jurisdictions where we serve client accounts believe they fall under this definition. The availability of these services benefits our firm because we do not have to produce or purchase them as long as clients maintain their assets with our preferred custodians. There is an inherent conflict of interest since our firm has an incentive to select or recommend a custodian based on our firm's interest in receiving these benefits rather than a client's interest in receiving favorable trade execution. It is important to mention that the benefit received by our firm through participation in any custodian's program does not depend on the amount of brokerage transactions directed to that custodian, and our selection of a custodian is primarily supported by the scope, quality, and cost of services provided as a whole, not just those services that benefit only our advisory firm. We will act in the best interest of our clients regardless of the custodian we may select. Our firm conducts periodic assessments of any recommended service provider which generally involves a review of the range and quality of services, reasonableness of fees, among other items, in comparison to industry peers.

## **Charles Schwab & Co., Inc. (and TD Ameritrade Institutional)**

We have entered into an agreement with Charles Schwab & Co., Inc. ("Schwab") to serve as a custodian of record for our clients. Schwab is a FINRA and SIPC member firm, as well as an SEC-registered broker/dealer. While we recommend that clients use Schwab as custodian, the client must decide whether to do so, and will open their account by entering into an account agreement directly with Schwab. Our firm does not technically open an account for a client, but we will assist our clients in doing so.

Schwab offers independent investment advisers like our firm various services which may include custody of securities, trade execution, clearance, and settlement of transactions, and in which our firm receives benefits from those custodians through our participation in their services offerings which will be described in further detail below. These benefits may include the following products and services (provided either without cost or at a discount):

- Receipt of duplicate client statements and confirmations.
- Research related products and tools.
- Access to trading desks serving our clients.
- The ability to have advisory fees deducted directly from a client's accounts (per written agreement).
- Resource information related to capital markets and various investments.
- Access to electronic communications networks for client order entry and account information, and
- Discounts on marketing, research, technology, and practice management products or services provided to our firm by third-party providers.

Schwab may provide some of these services itself. In other cases, they may arrange for third-party vendors to provide the services to us. They may discount or waive fees for some of these services or pay all or a part of a third party's fees. Certain tools, services or discounts made available to our firm by our custodian benefit our advisory firm but may not directly benefit each client account. While our firm does not think these services are considered "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934, certain jurisdictions where we serve client accounts believe they fall under this definition. The availability of these services benefits our firm because we do not have to produce or purchase them as long as clients maintain their assets with our preferred custodians. There is an inherent conflict of interest since our firm has an incentive to select or recommend a custodian based on our firm's interest in receiving these benefits rather than a client's interest in receiving favorable trade execution. It is important to mention that the benefit received by our firm through participation in any custodian's program does not depend on the amount of brokerage transactions directed to that custodian, and our selection of a custodian is primarily supported by the scope, quality, and cost of services provided as a whole, not just those services that benefit only our advisory firm. We will act in the best interest of our clients regardless of the custodian we may select. Our firm conducts periodic assessments of any recommended service provider which generally involves a review of the range and quality of services, reasonableness of fees, among other items, in comparison to industry peers.

## **Best Execution**

"Best execution" means the most favorable terms for a transaction based on all relevant factors, including those listed in the earlier paragraphs. We recognize our obligation in seeking best execution for our clients; however, it is our belief that the determinative factor is not always the lowest possible cost but whether the selected custodian's transactions represent the best "qualitative execution" while taking into consideration the full range of services provided. Our firm will seek services involving competitive rates, but it may not necessarily correlate into the lowest possible rate for each transaction. We have determined having our investment management clients' accounts trades completed through our recommended custodians is consistent with our obligation to seek best execution of client trades. A review is regularly conducted regarding our recommending a custodian to clients and considering our duty to seek best execution.

While our firm has access to a broad range of securities through our custodian, it is a finite number. In addition, not all investment managers, share classes, etc., are represented at each custodian. Due to these normal and customary limitations, not all portfolio holdings will be readily available, least expensive, best performing, etc. It is an unrealistic expectation for an investor to maintain a premise otherwise.

## **Directed Brokerage**

Not all investment advisers require their clients to direct brokerage, nor do we think our operational relationship with our custodian is defined as “directed brokerage” per common industry practices. While our internal policy and operational relationship with our custodian necessitate client accounts custodied with them to have trades executed per their order routing requirements, we do not direct our custodian as to which executing broker should be selected for our clients’ trades, whether that is an affiliate of our preferred custodian or another executing broker of our custodian’s choice. As a result of our custodian’s own trade execution policies, however, a client may pay higher commissions or other transaction costs, experience greater spreads, or receive less favorable net prices on transactions than might otherwise be the case.

Since we routinely recommend a particular custodian to our clients, and that custodian may choose to use the execution services of its broker affiliate for some or all account transactions, there is an inherent conflict of interest involving our recommendation since our advisory firm receives various products or services earlier described. Note that we are not compensated for trade routing/order flow, nor are we paid commissions on such trades. We do not receive interest on an account’s cash balance.

Client accounts maintained by our custodian under our account master are unable to direct brokerage. As a result, they may pay higher commissions or other transaction costs, potentially experience greater spreads, or receive less favorable net prices on transactions for their account than would otherwise be the case if they had the opportunity to direct brokerage.

For accounts maintained at a custodian of the client’s choice (e.g., held-away accounts), the client may choose to request that a particular broker is used to execute some or all account transactions. Under these circumstances, the client will be responsible for negotiating, in advance of each trade, the terms and/or arrangements involving their account with that broker, and whether the selected broker is affiliated with their custodian of record or not. We will not be obligated to seek better execution services or prices from these other brokers, and we will be unable to aggregate transactions for execution via our custodian with other orders for accounts managed by our firm. As a result, the client may pay higher commissions or other transaction costs, potentially experience greater spreads, or receive less favorable net prices on transactions for their account than would otherwise be the case.

## **Aggregating Securities Transactions**

Trade aggregation involves the purchase or sale of the same security for several clients/accounts at approximately the same time. This may also be termed “blocked” or “batched” orders. Aggregated orders are effected in an attempt to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among multiple client accounts should there be differences in prices, brokerage commissions or other transactional costs that might otherwise be unobtainable through separately placed orders. Our firm may, but is not obligated, to aggregate orders, and our firm does not receive additional compensation or remuneration as a result of aggregated transactions.

Transaction charges and/or prices may vary due to account size and/or method of receipt. To the extent that the firm determines to aggregate client orders for the purchase or sale of securities, including securities in which a related person may invest, the firm will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.* A copy of the referenced No Action Letter will be provided upon request.

Note that when trade aggregation is not allowed or infeasible and necessitates individual transactions (e.g., withdrawal or liquidation requests, odd-lot trades, non-discretionary accounts, etc.), an account may potentially be assessed higher costs or less favorable prices than those where aggregation has occurred.

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

Client accounts with the Investment Management service and Private Client service will be reviewed regularly, on at least a semi-annual basis, by their assigned Investment Advisor Representative and at least annually by the firm's Chief Compliance Officer.

The account is reviewed with regard to each client's investment objectives, preferences, and risk tolerance. Events that may trigger a special review would be unusual performance, addition or deletions of client-imposed restrictions, excessive draw-down, volatility in performance, or buy and sell decisions from the firm or per client's needs.

Clients will receive trade confirmations from the custodian(s)/broker(s) for each transaction in their accounts as well as monthly or quarterly statements and annual tax reporting statements from their custodian showing all activity in the accounts, such as receipt of dividends and interest.

The qualified custodians whom AELF clients' accounts are held with provide electronic and/or written statements on at least a quarterly basis, typically on a monthly basis. We urge clients to review these statements on a regular basis and contact us with any questions.

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

We do not receive any economic benefit, directly or indirectly, from any third party for advice rendered to our clients. Nor do we, directly or indirectly, compensate any person who is not advisory personnel for client referrals.

We receive a non-economic benefit from Fidelity Institutional and TD Ameritrade Institutional in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Fidelity Institutional and TD Ameritrade Institutional. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices). The availability to us of Fidelity Institutional's and TD Ameritrade Institutional's products and services are not based on us giving particular investment advice, such as buying particular securities for our clients.

## **Item 15: Custody**

AELF does not accept custody of client funds except in the instance of withdrawing client fees.

For client accounts in which AELF directly debits their advisory fee:

1. The custodian will send at least quarterly statements to the client showing all disbursements for the account, including the amount of the advisory fee.
2. The client will provide written authorization to AELF, permitting them to be paid directly for their accounts held by the custodian.

Clients receive at least quarterly statements from the qualified custodian that holds and maintains their investment accounts. We urge them to carefully review these statements and compare such official



custodial records to the account statements or reports that we may provide. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Standing Letters of Authorization**

AELF does not allow the use of standing letters of authorization (SLOAs) unless the:

- Client provides written instruction to their qualified custodian that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- Client authorizes the firm in writing on their qualified custodian's form any power to direct transfers to the third party either on a specified schedule or from time to time.
- Client's qualified custodian performs appropriate verification of the client's instructions, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- Client has the ability to terminate or change the instruction to the client's qualified custodian.
- firm has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- third party is not a related party to our firm and is located at a different address as the firm.
- Client's qualified custodian sends the client a written initial notice confirming the instruction, and
- Client is annually provided notice reconfirming their instructions.

## **Item 16: Investment Discretion**

Our firm generally conducts its investment management engagements on a discretionary basis. This is done via limited power of attorney signed by the client. Discretionary authority allows our firm to determine the securities to be bought or sold for a client's account and the amount of securities to be bought or sold for a client's account without requiring the client's prior authorization for each transaction in order to meet stated investment objectives. This authority will be granted through the client's execution of both our engagement agreement and the selected custodian's account documents. Note that the custodian will specifically limit our firm's authority within an account to the placement of trade orders and the request for the deduction of our advisory fees.

Our firm prefers not to manage client accounts on a nondiscretionary basis, but we may accommodate such requests on a case-by-case basis. Nondiscretionary account authority requires a client's ongoing prior approval involving the securities to be bought or sold for a client's account and the amount of securities to be bought or sold for a client's account, including portfolio rebalancing. Nondiscretionary engagement clients are required to execute our firm's client services agreement that describes our limited account authority, as well as the custodian of record's account document that includes their limited power of attorney form or clause. It is important to note that due to a client's requirement for trading pre-approval, that client must make themselves continually available and keep our firm updated on their contact information so that instructions can be efficiently and timely effected on their behalf. In addition, non-discretionary accounts are generally unable to be aggregated (see Item 12) and may therefore be assessed higher trading fees or receive less favorable prices than those accounts where trade aggregation has occurred.

We will account for any reasonable restrictions involving the management of the client's account (i.e., avoiding international holdings, etc.). It remains the client's responsibility to notify us if there is any change in their situation and/or investment objective so that we may reevaluate previous investment recommendations or portfolio holdings. Our clients retain the right to amend our account trading authority in writing.

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

We do not vote Client proxies. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward you any electronic solicitation to vote proxies.

## **Item 18: Financial Information**

Registered Investment Advisors are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.

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