



**Peterson Financial Group, Inc.**

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**October 31, 2023**

## **Part 2A Brochure**

This brochure provides information about the qualifications and business practices of Peterson Financial Group, Inc. ("Peterson Financial Group"). If the Client has any questions about the contents of this brochure, please contact us at 515-226-1500. The information in this brochure has not been approved or verified by the U.S Securities and Exchange Commission (SEC) or by any state securities authority. Peterson Financial Group is a Registered Investment Advisor. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Peterson Financial Group is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Clients can search this site by a unique identifying number, known as an IARD number. The IARD number for Peterson Financial Group is 169519.

## ITEM 2 – SUMMARY OF MATERIAL CHANGES

This section of the Brochure will address only those “material changes” that have been incorporated since the Firm’s last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The following material changes have occurred since the last filing on March 2, 2023:

The Firm completed a thorough review of the business practices and conflicts of interest language and updated this Brochure accordingly. The updates since the Firm’s previous annual amendment filing have been made in the following item numbers but you are encouraged to read the document in its entirety. The following items have been updated:

- **Item 4- Advisory Business** – The Firm sponsors a Wrap Fee Program.
- **Item 5- Fees and Compensation** – Fee language was amended to reflect the Wrap Fee Program and its relationship with AE Wealth Management, LLC.
- **Item 8- Methods of Analysis, Investment Strategies & Risk** – Additional risk language was added to this section.
- **Item 10- Other Financial Industry Activities** – Language regarding the Firm’s relationship with AE Wealth Management, LLC was disclosed.
- **Item 12- Brokerage Practices** - Language was amended to reflect the Firm’s current arrangement with Fidelity.
- **Item 14- Client Referrals and Other Compensation** - Language regarding the Firm’s relationship with AE Wealth Management, LLC was disclosed.

Currently, a free copy of the Firm’s Brochure may be requested by contacting Eric Peterson, Chief Compliance Officer of Peterson Financial Group at 515-226-1500.

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## ITEM 4 – ADVISORY BUSINESS

This Disclosure document is being offered to the Client by Peterson Financial Group (“Peterson Financial Group” or “Firm”) about the investment advisory services we provide. It discloses information about the services that we provide and the way those services are made available to you, the client.

Peterson Financial Group became a registered investment advisor with the State of Iowa in 2013 and registered with the SEC in April 2021. The principal owner and Chief Compliance Officer of the Firm is Eric Peterson.

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### INVESTMENT MANAGEMENT SERVICES

The Firm provides investment advice to clients in need of retirement income planning. Before we enter an Adviser-Client relationship, we may offer a complimentary general consultation to discuss services available, give a prospective client time to review services desired, and determine whether a relationship might benefit the client. Investment advisory services begin only after we and the client formalize the relationship with a properly executed agreement.

Our Firm offers four-step financial planning process called the Retirement Readiness Review which includes the following:

***Income Gap Analysis:*** The first step is an income gap analysis to determine if the client is using income sources properly and in the most tax-efficient method to support their lifestyle goals in retirement. We will also discover if the client has adequate income to meet his/her future needs and the ever-increasing cost of inflation. The client’s personal inflation rate may be different than government-quoted inflation rates because of the ways in which he/she actually spends money.

***Risk Analysis:*** The second step is a risk analysis to ensure the client’s investment risk exposure is one he/she is comfortable with and is aligned with his/her investment allocation strategies. It also reveals many of the true fees the client is paying in his/her investments. A simple behavioral analytics tool will help him/her determine what their risk comfort level is and help him/her avoid losses he/she is not prepared to handle or not aware of.

***Survivorship Analysis:*** The third step is to evaluate the economic impact of losing a spouse. The income streams for the remaining spouse change and the tax rate will increase for the surviving spouse. Our process will illustrate this to our clients so we can help them make planning decisions to make sure the standard of living for the remaining spouse is not compromised.

**Tax Bucket Analysis:** The fourth step is a complete look-forward review of his/her current tax situation, and to address the use of taxable, tax deferred and tax-free strategies, as well as a discovery of missed opportunities for offsetting gains and losses or ROTH Conversion strategies. Our Retirement Readiness Review is designed to help the client implement the correct strategy to lower or eliminate certain taxes and find money falling through the cracks now and in the client's future.

Following the conclusion of the planning services, we may make recommendations regarding implementation of the financial strategies discussed.

For accounts that engage in the Firm's investment management services, we advise advisory accounts on a discretionary basis. Once we have determined a profile and investment plan with a client, we will execute the day-to-day transactions without seeking prior client consent but within the expected investment guidelines discussed with the client. Account supervision is guided by the client's written profile and investment plan. We primarily allocate client assets among various equities, Exchanged Traded Funds ("ETFs"), cash, no-load or load-waived mutual funds in accordance with their stated investment objectives. All of which are considered asset allocation categories for the client's investment strategy.

During personal discussions with clients, we determine the client's objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review a client's prior investment history, as well as family composition and background. Based on client needs, we develop a client's personal profile and investment plan. We then create and manage the client's investments based on that agreed upon financial plan. It is the client's obligation to notify us immediately if circumstances have changed with respect to their goals. Once we have determined the types of investments to be included in a client's portfolio and have allocated the assets, we provide ongoing investment review and management services.

When managing client accounts through the Firm's investment management services, we most often manage a client's Account in accordance with one or more investment models developed either internally by the Firm or developed externally by Model Managers. When client Accounts are managed using models, investment selections are based on the underlying model and we do not develop customized (or individualized) portfolio holdings.

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#### **USE OF MODEL MANAGERS AND PLATFORM PROVIDER**

The determination to use a particular model or models is based on each client's individual investment goals, objectives and mandates. The Firm has entered into an agreement with

AE Wealth Management, LLC (“AEWM”), an SEC registered investment advisor, to provide asset management services that include:

- model money managers
- portfolio managers
- strategists.

As part of the AEWM program, Clients provide the Firm and AEWM discretion to select third party, non-affiliated investment managers (“Model Managers”) to design and manage model portfolios.

Peterson Financial has access to AEWM’s reporting systems, client relationship management systems and workflow systems to assist clients to establish an advisory account. Due to this arrangement, AEWM will have access to client information, but AEWM will not serve as an investment advisor to the Firm’s Clients. Peterson Financial Group and AEWM are non-affiliated companies. AEWM charges the Firm an annual fee for each account administered by AEWM. The annual fee is paid from the portion of the management fee retained by us. Clients receive continuous investment advice based on investment objective, risk profile and time-horizon. While investment strategies and recommendations are tailored to the individual needs of each client, they consist of an asset allocation consistent as outlined in Item 8 of this Brochure.

We will not enter into an investment advisor relationship with a prospective client whose investment objectives are considered incompatible with the Firm’s investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines. However, Clients have the ability to impose reasonable restrictions on the management of their accounts, including the ability to instruct the Firm not to purchase certain securities.

We do have limited authority to direct the Custodian to deduct the Firm’s investment advisory fees from accounts, but only with the appropriate written authorization from clients.

Clients may engage us to advise on certain investment products that are not maintained at the Firm’s recommended custodian, such as life insurance, annuity contracts, and assets held in employer sponsored retirement plans. Where appropriate, we provide advice about any type of held away account that is part of a client portfolio.

Client’s are advised and are expected to understand that the Firm’s past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account’s performance. This could result in capital losses in Client accounts.

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## **FINANCIAL PLANNING**

Financial planning is included within the Firm's investment advisory services. Through the financial planning process, the Firm's team strives to engage the Clients in conversations around the family's goals, objectives, priorities, vision, and legacy – both for the near term as well as for future generations. With the unique goals and circumstances of each family in mind, the Firm's team will offer financial planning ideas and strategies to address the client's holistic financial picture, including estate, income tax, charitable, cash flow, wealth transfer, and family legacy objectives. The Firm's team partners with the Firm's client's other advisors (CPAs, Enrolled Agents, Estate Attorneys, Insurance Brokers, etc.) to ensure a coordinated effort of all parties toward the client's stated goals. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets, and periodic updates.

The Firm's specific services in preparing Client plans may include:

- Review and clarification of Client financial goals.
- Assessment of Client overall financial position including cash flow, balance sheet, investment strategy, risk management, and estate planning.
- Development of a goal-oriented investment plan, with input from various advisors to the Client around tax suggestions, asset allocation, expenses, risk, and liquidity factors for each goal. This includes IRA and qualified plans, taxable, and trust accounts that require special attention.
- Design of a risk management plan including risk tolerance, risk avoidance, mitigation, and transfer, including liquidity as well as various insurance and possible company benefits; and
- Crafting and implementation of, in conjunction with Client estate and/or corporate attorneys as tax advisor, an estate plan to provide for the Client and/or Client heirs in the event of an incapacity or death.

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#### **DISCLOSURE REGARDING ROLLOVER RECOMMENDATIONS**

A client or prospect leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) rollover to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). The Firm may recommend an investor roll over plan assets to an IRA for which the Firm provides investment advisory services. As a result, the Firm and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave their plan assets with their previous employer or roll over the assets to a plan sponsored by a new employer will

generally result in no compensation to the Firm. The Firm therefore has an economic incentive to encourage a client to roll plan assets into an IRA that the Firm will manage, which presents a conflict of interest. To mitigate the conflict of interest, there are various factors that the Firm will consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus those of the Firm, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. All rollover recommendations are also reviewed by the Firm's Chief Compliance Officer in a best effort to determine that the recommendation to a client was reasonable or that the client has determined to make the rollover after being provided ample information about their options. No client is under any obligation to roll over plan assets to an IRA advised by the Firm or to engage the Firm to monitor and/or advise on the account while maintained with the client's employer. The Firm's Chief Compliance Officer remains available to address any questions that a client or prospective client has regarding this disclosure.

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to the Client regarding Client retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in Client's best interest and not put the Firm's interest ahead of Client's interest. At the same time, the way we make money creates some conflicts with Client's interests.

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**WRAP FEE PROGRAM**

Peterson Financial Group is the sponsor and manager of Wrap Program (the "Program"), a wrap fee program (i.e., an arrangement where brokerage commissions and transaction costs are absorbed by the Firm). The fee covers transaction costs or commissions resulting from the management of Client accounts, however, most investments trade without transaction fees today, so the Firm's payment of these and other incidental custodial related expenses should not be considered a significant factor in determining the relative value of the Firm's wrap program. Participants in the Program may pay a higher aggregate fee than if brokerage services are purchased separately. Additional information about the Program is available in Peterson Financial Group's Wrap Brochure, which appears as Part 2A Appendix 1 of the Firm's Form ADV.

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**ASSETS**



As of December 31, 2022, the Firm manages a total of \$148,537,741 in regulatory assets under management. \$148,537,741 is managed under discretionary authority.

## ITEM 5 - FEES AND COMPENSATION

### INVESTMENT MANAGEMENT FEES

Clients receive investment management services through Peterson Financial Group. Peterson Financial Group utilizes a third-party IMO (AEWM) for the billing of these services through a Wrap Program. Fees will be calculated as a percentage of assets under management (AUM) based on the average daily balance of account(s) and deducted from Client account(s) in arrears on a monthly basis.

The wrap program fees do not exceed 1.40% and will cover the cost charged by Peterson Financial Group, AEWM, any other third-party partners we utilize and the custodian (Fidelity). No other management fees are charged to client accounts by the Firm.

When invested in a Model there is typically a small percentage invested in cash as part of that model (i.e., 1%). That “cash” will be included in the AUM fee. Cash held in other types of accounts, such as a stand-alone money market, a “contribution distribution sleeve” or “non-managed” account (used for purposes of scheduled distributions or flexibility of withdrawals) is “not” included in the fee.

The Firm’s employees and their family-related accounts are charged a reduced fee for the Firm’s services.

In some instances, we may not have discretion and an account is set up for client directed trades only. The Firm has the ability to view and initiate client-directed trades but the Firm does not maintain ongoing management or supervision of the accounts. For these accounts, the custodian bills a \$30 annual administration fee. The Firm does not receive any compensation.

Either Peterson Financial Group or the Client may terminate the management agreement immediately upon written notice to the other party. The management fee will be pro-rated to the date of termination, for the month in which the cancellation notice was given and billed to Client accounts. Upon termination, the Client is responsible for monitoring the securities in Client accounts, and we will have no further obligation to act or advise with respect to those assets. In the event of client’s death or disability, Peterson Financial Group will continue management of the account until we are notified of client’s death or disability and given alternative instructions by an authorized party.

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**FINANCIAL PLANNING**

Financial planning services are included within the Firm's investment advisory services for no additional fee.

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**SIGNAL PROVIDER**

The Firm does engage the services of unaffiliated and independent registered investment advisor(s) ("Signal Providers") to receive buy and sell signals, research, or other information that the Firm uses to manage a particular strategy/portfolio. Such Signal Providers will not act as fiduciaries with respect to any client as they are engaged to provide market-related services to the Firm. In providing individualized investment advice, the Firm will invest a client's assets in accordance with the recommendations of one or more Signal Providers or may invest the account in any manner it deems appropriate based on the client's personal objectives. All fees incurred by the subscription to various Signal Providers are paid by Peterson Financial Group (as a percentage of the fees generated within a particular strategy). Thus, a portion of the advisory fee paid by a client to Peterson Financial Group may be used to compensate such third-party providers or consultants.

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**ADDITIONAL FEES AND EXPENSES:**

In addition to the Wrap Fee paid to Peterson Financial Group, clients may also incur certain charges imposed by other third parties, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges may include fees charged by the margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, regulatory fees assessed by SEC and/or FINRA odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap program fee is charged by the Firm.

*Non-Transaction Fee (NTF) Mutual Funds*

When selecting investments for the Firm's clients' portfolios we might choose mutual funds on Client's account custodian's Non-Transaction Fee (NTF) list. This means that Client's account custodian will not charge a transaction fee or commission associated with the purchase or sale of the mutual fund.

The mutual fund companies that choose to participate in Client's custodian's NTF fund program pay a fee to be included in the NTF program. The fee that a mutual fund company pays to participate in the program is ultimately borne by the owners of the mutual fund including clients of the Firm. When we decide whether to choose a fund from Client's custodian's NTF list or not, we consider the Firm's expected holding period of the fund, the

position size and the expense ratio of the fund versus alternative funds. Depending on the Firm's analysis and future events, NTF funds might not always be in Client's best interest.

#### *Regulatory Fees*

To facilitate the execution of trades, regulatory Trading Activity Fees (TAF) are added to applicable sales transactions. The Securities and Exchange Commission (SEC) regulatory fee is assessed on client accounts for sell transactions, and a FINRA fee is assessed on client accounts for sell transactions, for certain covered securities. This fee is not charged by the Firm but is assessed and collected by the custodian. The Custodian that the Firm uses, is a FINRA member firm. These fees recover the costs incurred by the SEC and FINRA, for supervising and regulating the securities markets and securities professionals. The fee rates vary depending on the type of transaction and the size of that transaction.

For more information on the SEC and FINRA fees, please visit their websites:

[www.sec.gov/fast-answers/answerssec31htm.html](http://www.sec.gov/fast-answers/answerssec31htm.html)

[www.finra.org/industry/trading-activity-fee](http://www.finra.org/industry/trading-activity-fee)

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#### **ADMINISTRATIVE SERVICES**

Through the Firm's relationship with AE Wealth Management (AEWM), the Firm utilizes AEWM's technology platform to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, quarterly performance evaluations, payable reports, web site administration, models, trading platforms, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, AEWM will have access to client information, but AEWM will not serve as an investment advisor to the Firm's Clients. Peterson Financial Group and AEWM are non-affiliated companies. AEWM charges the Firm an annual fee for each account administered by AEWM. The annual fee is paid from the portion of the management fee retained by us.

#### **ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Firm does not engage in performance-based fees. No supervised person is compensated by performance-based fees. Performance-based fees may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk.

#### **ITEM 7 - TYPES OF CLIENTS**

The Firm works with the following types of clients:

- Individuals
- High net-worth individuals.

We do not impose a minimum account value to initiate the Firm's advisory and investment management services.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

While investment strategies and recommendations are tailored to the individual needs of each client, they consist of an asset allocation consistent with:

- ***Income with Capital Preservation.*** Designed as a longer-term accumulation account, this investment objective is considered generally the most conservative. Emphasis is placed on generation of current income with minimal risk of capital loss. Lowering the risk generally means lowering the potential income and overall return.
- ***Income with Moderate Growth.*** This investment objective emphasizes generation of current income with a secondary focus on moderate capital growth.
- ***Growth with Income.*** This investment objective emphasizes modest capital growth with some focus on generation of current income.
- ***Growth.*** This investment objective emphasizes achieving high long-term growth and capital appreciation. There is little focus on generation of current income.
- ***Aggressive Growth.*** This investment objective emphasizes aggressive growth and maximum capital appreciation, with no focus on generation of current income. This objective has a very high level of risk and is for investors with a longer time horizon.

Portfolio strategy at the Firm may use the following methods of analysis in formulating the Firm's investment advice and/or managing client assets:

- **Fundamental Analysis:** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.
- **Asset Allocation:** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.
- **Mutual Fund and/or ETF Analysis:** We look at the experience and track record of the manager of the mutual fund or ETF in attempt to determine if that manager

has demonstrated an ability to invest over a period of time and in different economic conditions. We also monitor the funds or ETFs in attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

- **Model Manager Analysis:** We examine the experience, expertise, investment philosophies, and past performance of Model Managers in attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of the Firm's overall periodic risk assessment. Additionally, as part of the Firm's due-diligence process, we survey the Model Manager's compliance and business enterprise risks.

**Nitrogen (formally Riskalyze) Platform:** The Firm does utilize Nitrogen, a third-party vendor tool to assist in identifying the client's risk tolerance. Nitrogen technology assists financial planners in two critical tasks: (1) measuring the risk preferences of investors, and (2) applying these preference measurements to portfolio selection. Nitrogen summarizes an investor's mean-variance risk aversion on a 99-point scale. In connection with this output, the Nitrogen tool "quantifies" the client's indicated investment risk tolerance through the illustration of expected return (plus/minus) and investment volatility (investment variance) which uses past data to calculate expected variance. The Firm works with Nitrogen to customize client portfolios using a combination of existing holdings and recommended allocation strategies to provide the client with the desired risk score. Once the Risk Score is identified, the Firm prepares a strategy, which is also scored by Nitrogen tools. Generally, clients are recommended a mixture of strategies with various allocations, including strategies which focus on fixed income, growth, balanced, moderate, or aggressive investments, which correlate to the client's risk score.

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## **RISK OF LOSS**

A client's investment portfolio is affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic conditions, changes in laws and national and international political circumstances.

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. Peterson Financial Group will assist Clients in determining an appropriate strategy based on their tolerance for risk.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a client's account(s). Peterson Financial Group shall rely on the financial and other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform Peterson Financial Group of any changes in financial condition, goals or other factors that may affect this analysis.

The Firm's methods rely on the assumption that the underlying companies within the Firm's security allocations are accurately reviewed by the rating agencies and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that the Firm's analysis may be compromised by inaccurate or misleading information.

Investors should be aware that accounts are subject to the following risks:

- **MARKET RISK** - Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that the Client will lose money and Client investments may be worth more or less upon liquidation.
- **FOREIGN SECURITIES AND CURRENCY RISK** - Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.
- **CAPITALIZATION RISK** - Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services. Their stocks have historically been more volatile than the stocks of larger, more established companies.
- **INTEREST RATE RISK** - In a rising rate environment, the value of fixed-income securities generally declines, and the value of equity securities may be adversely affected.
- **CREDIT RISK** - Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and thus, impact the fund's performance.

- **SECURITIES LENDING RISK** - Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.
- **EXCHANGE-TRADED FUNDS** - ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets, and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."
- **PERFORMANCE OF UNDERLYING MANAGERS** - We select the mutual funds and ETFs in the asset allocation portfolios. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy.
- **CYBERSECURITY RISK** - In addition to the Material Investment Risks listed above, investing involves various operational and "cybersecurity" risks. These risks include both intentional and unintentional events at the Firm or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise the Firm's ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to the Firm's Client's information, including social security numbers, home addresses, account numbers, account balances, and account holdings. The Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because the Firm does not directly control the cybersecurity systems of the Firm's third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

## ITEM 9 - DISCIPLINARY INFORMATION

We do not have any legal, financial or other "disciplinary" item to report.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### INSURANCE

The Firm's Investment Advisor Representatives are also licensed insurance agents and sell various life insurance products, and fixed annuities. The Firm's IARs receive compensation (commissions, trails, or other compensation from the respective product sponsors) as a result of effecting insurance transactions for clients. The advisor has an incentive to recommend insurance and this incentive creates a conflict of interest between Client interests and the Firm. Clients should note that they have the right to decide whether or

not to engage the services of the Firm's IARs. Further, clients should note they have the right to decide whether to act on the recommendations and the right to choose any professional to execute the advice for any insurance products through the Firm's IAR or any licensed insurance agent not affiliated with the Firm. We recognize the fiduciary responsibility to place Client interests first and have established policies in this regard to avoid any conflicts of interest.

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**THIRD PARTY MARKETING ORGANIZATION (IMO) – ADVISORS EXCEL**

The Firm will utilize the services of Advisors Excel, a third-party insurance marketing organization ("IMO") to select appropriate products. Advisors Excel is an affiliate of AE Wealth Management and the Firm's decision to work with AE Wealth Management is significantly based on the Firm's IMO relationship with Advisors Excel. IMO's offers special incentive compensation to meet certain overall sales goals by placing annuities and/or other insurance products through the IMO. The receipt of commissions and additional incentive compensation itself creates a conflict of interest. Clients are not required to purchase any insurance products through us in the Firm's separate capacity as insurance agents. The purpose of the IMO is to assist us in finding the insurance company that best fits the client's situation.

Advisors Excel and Advisors Excel Wealth Management provides marketing assistance and business development tools to acquire new clients, technology with the goal of improving the client experience and the Firm's efficiency, back office and operations support to assist in the processing of the Firm's insurance (through Advisors Excel) and investment services (Advisors Excel Wealth Management) for clients, business succession planning, business conferences and incentive trips for the Firm. Although some of these services can benefit a client, other services obtained by us from Advisors Excel such as marketing assistance, business development and incentive trips will not benefit an existing client. The Firm can also receive bonus payments from an insurance company for selling a targeted number of annuities during a specified period of time which creates a conflict of interest.

The Firm has taken steps to manage these conflicts of interest by requiring that each investment advisor representative:

- only recommend insurance and annuities when in the best interest of the client and without regard to the financial interest of the Firm and its investment advisor representative.



- not recommend insurance and/or annuities which result in its investment advisor representative and/or the Firm receiving unreasonable compensation related to the recommendation; and,
- disclose material conflicts of interest related to insurance or annuity recommendations.

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**SUB ADVISOR RELATIONSHIPS**

Please refer to Item 4 and Item 5 above for more information about the selection of sub-advisors used with the Firm's services. The Firm pays a portion of the advisory fee to the sub-advisor. A conflict of interest for the Firm in utilizing a sub advisor is receipt of discounts or services not available to us from other similar sub advisors. In order to minimize this conflict the Firm will make the Firm's recommendations and selections of sub-advisors in the best interest of the Firm's Clients .

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**OTHER AFFILIATIONS**

Clients should be aware that the ability to receive additional compensation by the Firm and its management persons or employees creates conflicts of interest that impair the objectivity of the Firm and these individuals when making advisory recommendations. The Firm endeavors at all times to put the interest of its clients first as part of the Firm's fiduciary duty as a registered investment advisor; we take the following steps, among others to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for the Firm and the Firm's employees to earn compensation from advisory clients in addition to the Firm's advisory fees;
- we disclose to clients that they have the right to decide to purchase recommended investment products from the Firm's employees.
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives, and liquidity needs.
- the Firm conducts regular reviews of each client advisory account to verify that all recommendations made to a client are in the best interest of the client's needs and circumstances.
- we require that the Firm's employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed.
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by the Firm.

The Firm does not 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. Neither the Firm nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

#### **ITEM 11 - CODE OF ETHICS**

The Firm and persons associated with us are allowed to invest for their own accounts, or to have a financial investment in the same securities or other investments that we recommend or acquire for Client accounts and may engage in transactions that are the same as or different than transactions recommended to or made for Client accounts. This creates a conflict of interest. We recognize the fiduciary responsibility to act in Client's best interest and have established policies to mitigate conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of the Firm's advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, and the prohibition against the use of inside information.

The Code of Ethics is designed to protect the Clients to detect and deter misconduct, educate personnel regarding the Firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of Peterson Financial Group, safeguard against the violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the Firm's ethical principles.

We have established the following restrictions in order to ensure the Firm's fiduciary responsibilities:

- No supervised employee of Peterson Financial Group shall prefer his or her own interest to that of the advisory client. Trades for supervised employees are traded alongside client accounts.
- We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of Peterson Financial Group.
- We emphasize the unrestricted right of the client to decline implementation of any advice rendered, except in situations where we are granted discretionary authority of the client's account.
- We require that all supervised employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

- Any supervised employee not in observance of the above may be subject to termination.

None of the Firm's associated persons may affect for himself/herself or for accounts in which he/she holds a beneficial interest, any transactions in a security which is being actively recommended to any of the Firm's Clients, unless in accordance with the Firm's procedures.

You may request a complete copy of the Firm's Code by contacting us at the address, telephone, or email on the cover page of this Part 2; ATTN: Eric Peterson, Chief Compliance Officer.

## **ITEM 12 - BROKERAGE PRACTICES**

Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. Currently, we require the use of Fidelity. The primary factor in recommending Fidelity is due to the Firm's participation in the AE Wealth Management program. Due to this arrangement, we recommend that the Client establish brokerage accounts with National Financial Services, LLC through the Fidelity Institutional Wealth Services Program ("Fidelity" or "Custodian").

Fidelity is a registered broker-dealer, member SIPC, and will act as the qualified custodian. We are independently owned and operated, and unaffiliated with Custodian. Fidelity will hold client assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that clients use Fidelity as custodian/broker, client must decide whether to do so and open accounts with Fidelity by entering into account agreements directly with them. The Client opens the accounts with Custodian. The accounts will always be held in the name of the client and never in Peterson Financial Group 's name.

The Firm along with the Firm's Platform Provider will select a Custodian who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. A wide range of factors are considered, including, among others:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)

4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Reputation, financial strength, and stability
8. Prior service to Peterson Financial Group and the Firm's other clients
9. Availability of other products and services that benefit us, as discussed below (see Products and Services Available to Us from Custodian)

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

Through the Firm's Platform Provider, Fidelity will provide the Clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Fidelity retail customers. Fidelity also makes available various support services. Some of those services help us manage or administer the Firm's Client accounts; others help us manage and grow the Firm's business. Custodian's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us. These are considered soft dollar benefits because there is an incentive to do business with Custodian. This creates a conflict of interest. We recognize the fiduciary responsibility to act in Client best interest and have established policies in this regard to mitigate any conflicts of interest.

Fidelity'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 Fidelity include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by the Firm's Clients. Custodian's services described in this paragraph generally benefit the Clients and their accounts.

Some of the products, services and other benefits provided by Fidelity benefit Peterson Financial Group and may not benefit the Client accounts. The Firm's recommendation or requirement that the Client place assets in Custodian's custody may be based in part on benefits Fidelity provides to us, or the Firm's agreement to maintain certain Assets Under Management at Custodian, and not solely on the nature, cost or quality of custody and execution services provided by Custodian. This is a conflict of interest. We believe this

arrangement is in the clients best interest and have developed policies to mitigate this conflict.

We place trades for the Firm's Client's accounts subject to its duty to seek best execution and its other fiduciary duties. Fidelity's execution quality may be different than other custodians.

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**BROKERAGE FOR CLIENT REFERRALS**

Peterson Financial Group does not receive client referrals from Fidelity or any third party in exchange for using Fidelity or any third party.

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**AGGREGATION AND ALLOCATION OF TRANSACTIONS**

Transactions for each client will be effected independently unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. If the Client participates in the Firm's wrap fee program described above, the Client will not pay any portion of the transaction costs in addition to the program fee. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by the Firm or persons associated with the Firm may participate in aggregated trading with Client accounts; however, they will not be given preferential treatment. We combine multiple orders for shares of the same securities purchased for discretionary accounts.

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**TRADE ERRORS**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with the Firm's fiduciary duty, it is the Firm's policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes a trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the custodian, the custodian will be responsible for covering all trade error costs. We will never benefit or profit from trade errors.

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**DIRECTED BROKERAGE**

We do not routinely recommend, request or require that the Clients direct us to execute transactions through a specified broker dealer. Additionally, we typically do not permit the Client to direct brokerage. We place trades for Client accounts subject to the Firm's duty to seek best execution and other fiduciary duties.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **ACCOUNT REVIEWS AND REVIEWERS – INVESTMENT SUPERVISORY SERVICES**

The Firm's Investment Advisor Representatives will monitor client accounts on a regular basis and perform annual reviews with each client. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance, and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax, or financial status. Geopolitical and macroeconomic specific events may also trigger reviews. Clients are urged to notify us of any changes in Client's personal circumstances.

### **STATEMENTS AND REPORTS**

Summary performance reports from the Firm may be generated for clients on an annual basis or as requested. The custodian for the individual client's account will also provide clients with an account statement at least quarterly. Clients are urged to compare the reports provided by Peterson Financial Group against the account statements the Client receives directly from Client's account custodian.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

The Firm does not accept nor receive compensation for client referrals.

Advisors Excel provides the Firm with bonus compensation based on the amount of annuity sales which is a conflict of interest. They also provide indirect compensation by providing marketing assistance and business development tools to acquire new clients, technology with the goal of improving the client experience and the Firm's efficiency, back office and operations support to assist in the processing of the Firm's insurance (through Advisors Excel) services for clients, business succession planning, business conferences and incentive trips for the Firm. Although some of these services can benefit a client, other services obtained by us from Advisors Excel such as marketing assistance, business development and incentive trips will not benefit an existing client and is a conflict of interest. The Firm can receive bonus payments from an insurance company for selling a targeted number of annuities during a specified period of time which creates a conflict of interest.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing-expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.

The Firm may be asked to recommend a financial professional, such as an attorney, accountant, or mortgage broker. In such cases, the Firm does not receive any direct compensation in return for any referrals made to individuals or firms in the Firm's professional network. Clients must independently evaluate these firms or individuals before engaging in business with them and clients have the right to choose any financial professional to conduct business. Individuals and firms in the Firm's financial professional network may refer clients to the Firm. Again, the Firm does not pay any direct compensation in return for any referrals made to the Firm. The Firm does recognize the fiduciary responsibility to place Client's interests first and have established policies in this regard to mitigate any conflicts of interest.

#### **ITEM 15 – CUSTODY**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

Clients are advised to carefully review the information provided by the custodian and notify their investment advisor representative with any questions or if such information is not received. For Wrap Fee Program accounts, we are deemed to have limited custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. All Clients receive account statements directly from their qualified custodian(s) at least quarterly upon opening of an account. We urge Clients to carefully review these statements. Additionally, if the Firm decides to send its own reports to clients, such reports will include a legend that recommends the client compare the account statements received from the qualified custodian with those reports received from the

Firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and the Firm's custodial recommendations.

#### **ITEM 16 – INVESTMENT DISCRETION**

For discretionary accounts, prior to engaging the Firm to provide portfolio management services, clients will enter a written Agreement with the Firm granting us the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines. In addition, the Client will need to execute additional documents required by the Custodian to authorize and enable the Firm, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell, or exchange securities in and for Client accounts. The Firm will be authorized to buy, sell, exchange and trade any stocks, bonds or other securities or assets, determine the amount of securities to be bought or sold, and place orders with the custodian. Any limitations to such discretionary authority will be communicated to the Firm in writing by you, the client.

#### **ITEM 17 – VOTING CLIENT SECURITIES**

We will not vote proxies on Client's behalf. Clients are welcome to vote proxies or designate an independent third-party at Client's own discretion. Clients designate proxy voting authority in the custodial account documents. Clients must ensure that proxy materials are sent directly to the Client or Client assigned third party. We do not act with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Clients can contact the Firm's office with questions about a particular proxy solicitation by phone at 515-226-1500.

#### **ITEM 18 – FINANCIAL INFORMATION**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the Firm's most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair the Firm's ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.