

# MATERETSKY FINANCIAL GROUP

## ADV Part 2A

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**This brochure provides information about the qualifications and business practices of Materetsky Financial Group, Inc. (dba Materetsky Financial Group) (“Registrant”). If you have any questions about the contents of this brochure, please contact us at 561-735-9227. 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.**

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

**References herein to Registrant as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

Since its Other-Than-Annual Amendment filing on June 8, 2021, there have been no material changes to this Disclosure Brochure.

Additionally, although not material, certain disclosure enhancements have been made at Items 4 and 15.

**ANY QUESTIONS:** The Registrant’s Chief Compliance Officer, Ira Materetsky, remains available to address any questions regarding the above or any other issue pertaining to this Brochure.

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## Item 4            **Advisory Business**

- A. Materetsky Financial Group, Inc. d/b/a Materetsky Financial Group (hereinafter referred to as “Registrant,” “we,” or “us”) is a registered investment adviser based in Boynton Beach, Florida and Syosset, New York. We are organized as a corporation under the laws of the State of Florida. We have been providing investment advisory services since April 2018. We are owned by Howard Materetsky and Ira S. Materetsky.
- B. As discussed below, the Registrant only offers to its clients (individuals, high net worth individuals, retirement plans, and charitable organizations) investment advisory services on a non-discretionary wrap fee basis and, to the extent specifically requested by a client, financial planning and related consulting services. Registrant also provides retirement plan consulting services, for no additional fee, to qualified retirement plans and their participants.

### **MATERETSKY FINANCIAL WRAP FEE PROGRAM**

The Registrant provides investment management services on a wrap fee basis in accordance with the Registrant’s investment management wrap fee program (the “Program”) The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure a copy of which is presented to all prospective and existing Program participants. Under the Program, the Registrant is able to offer participants non-discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution (excluding mark-ups and mark-downs), custody, reporting, and investment management fees. The terms and conditions for client participation in the Program are set forth in detail in the Wrap Fee Program Brochure, which is presented to all prospective Program participants in accordance with the disclosure requirements of Part 2A Appendix 1 of Form ADV. All prospective Program participants should read both the Registrant’s Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program.

Pershing, LLC (“Pershing”) serves as the custodian for Program accounts (*see* disclosure at Item 12 below).

### **FINANCIAL PLANNING AND CONSULTING SERVICES**

To the extent specifically requested by a client, the Registrant generally provides financial planning and/or consulting services (including investment and non-investment related matters, including, e.g., estate planning, insurance planning, etc.) inclusive of the Program fee. Registrant believes that it is important for the client to address financial planning issues on an ongoing basis. Registrant’s advisory fee, as set forth at Item 5 below, will remain the same regardless of whether or not the client determines to address financial planning issues with Registrant. Registrant believes that it is important for the client to address financial planning issues on an ongoing basis. Registrant’s Program fee, as set forth at Item 5 below, will remain the same whether or not the client determines to address financial planning issues with Registrant. **Please Note:** The Registrant **does not** serve as an attorney or accountant, and no portion of our services should be construed as legal or accounting services. Accordingly, we **do not** prepare estate planning documents or tax returns. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the services of the Registrant’s representatives, in their individual capacities, as registered representatives of Private Client Services (“PCS”) or as licensed insurance agents. (*See* disclosure below at Item 5 and 10C, including

corresponding *conflict of interest*). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. Moreover, it remains the client's responsibility to promptly notify the Registrant if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services. **Please Note:** If the client engages any professional, recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Registrant, shall be responsible for the quality and competency of the services provided.

## RETIREMENT PLAN CONSULTING

### 1. Participant Directed Retirement Plans.

Registrant may also provide investment advisory and consulting services to participant directed retirement plans pursuant to the terms and conditions of a Retirement Plan Services Agreement between Registrant and the Plan which will include any compensation to be paid to the Registrant. For such engagements, Registrant shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by Registrant), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process. Personalized investment advice will not be provided to Plan participants regarding their plan assets.

### 2. Client Retirement Plan Assets.

If requested to do so, Registrant shall provide investment advisory services relative to the client's retirement plan assets for no additional fee. In such event, Registrant shall provide allocation recommendations to the client based upon the investment options available on the participant's 401(k) platform. Registrant's ability shall be limited to the allocation of the assets among the investment alternatives available through the plan. Registrant will not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to notify Registrant of any changes in investment options, investment alternatives, restrictions, etc. pertaining to the retirement account.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. Accordingly, Registrant **does not** prepare estate planning documents or tax returns. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of the Registrant in their separate registered and/or licensed capacities as discussed below at Items 5 and 10 below, including corresponding *conflicts of interest*. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions

and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any professional, recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Non-Discretionary Service Limitations.** Clients that determine to engage Registrant on a non-discretionary investment advisory basis must be willing to accept that Registrant cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, the Registrant will be unable to effect the account transaction(s) without first obtaining the client's consent.

**Retirement Plan Rollovers – No Obligation / Conflict of Interest.** A client or prospective client 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) roll over 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). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a **conflict of interest** if Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by the Registrant. **The Registrant's Chief Compliance Officer, Ira Materetsky, remains available to address any questions that a client or prospective client may have regarding retirement plan rollovers.**

**Please Note – Use of Mutual Funds and Exchange Traded Funds:** While Registrant may allocate investment assets to mutual funds and exchange traded funds ("ETFs") that are not available directly to the public, Registrant may also allocate investment assets to publicly-available mutual funds and ETFs that the client could purchase without engaging Registrant as an investment adviser. However, if a client or prospective client determines to purchase publicly-available mutual funds or ETFs without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of our initial and ongoing investment advisory services with respect to management of the asset. **Separate Fees:** All mutual funds (and exchange traded funds) impose fees at the fund level (e.g. management fees and other fund expenses). All fund fees are separate from, and in addition to, Registrant's wealth management fee as described at Item 5 below. **Registrant's Chief Compliance Officer, Ira Materetsky, remains available to address any questions that a client or prospective client may have regarding the above.**

**Cash Positions.** Registrant treats cash as an asset class. As such, all cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such

anticipated market conditions/events will occur), the Registrant may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Registrant's advisory fee could exceed the interest paid by the client's money market fund. **ANY QUESTIONS: The Registrant's Chief Compliance Officer, Ira Materetsky, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.**

**Portfolio Trading Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, mutual fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s).

**Disclosure Statement:** A copy of the Registrant's written Privacy Notice, Disclosure Brochure as set forth on ADV Part 2A ADV Part 2B, and Form CRS shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* and/or *Retirement Planning and Consulting Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant only offers its investment advisory services on a wrap fee basis. When managing a client's account on a wrap fee basis, the Registrant shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.

**Wrap Program-Conflict of Interest.** Registrant provides services on a wrap fee basis as a wrap program sponsor. Under Registrant's wrap program, the client generally receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the client more or less than purchasing such services separately. The terms and conditions of the wrap program engagement are more fully discussed in Registrant's Wrap Fee Program Brochure. **Conflict of Interest:** Because wrap program transaction fees and/or commissions are being paid by Registrant to the account custodian/broker-dealer, Registrant has an economic incentive to minimize the number of trades in the client's account. *See* separate Wrap Fee Program Brochure. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Ira Materetsky, remains available to address any questions that a client or prospective client may have regarding a wrap fee arrangement and the corresponding conflict of interest a wrap fee arrangement creates.

- E. As of December 31, 2020, the Registrant had approximately \$424,452,459 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can determine to engage the Registrant to provide non-discretionary investment advisory services on a wrap-fee basis.

### **INVESTMENT ADVISORY SERVICES**

Registrant's negotiable annual investment advisory fee shall generally be based upon a percentage (%) of the market value and type of assets placed under Registrant's management and/or advisement, between 0.45% and 1.40%. Fees shall vary depending upon various objective and subjective factors, including but not limited to: the amount of assets to be managed; personal and familial relationships; account composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); courtesy accounts, negotiations with the client; prior fee schedules; and competition. **Please Note:** As a result of these factors, similarly situated clients could pay different fees, and the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. **Please Also Note: Conflict of Interest** The Registrant's representative shall receive a portion of the advisory fee charged to the client. As a result, a material conflict of interest arises because the representative has an incentive to seek a higher investment advisory fee to potentially increase the representative's compensation. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Ira Materetsky, remains available to address any questions that a client or prospective client may have regarding the above fee disparity, impact on account performance, and conflict of interest.

Registrant's annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client. **Please Note:** The Registrant **does not** serve as an attorney or accountant, and no portion of our financial planning or consulting services should be construed as legal or accounting services. Accordingly, we **do not** prepare estate

planning documents or tax returns. **Please Further Note.** Registrant believes that it is important for the client to address financial planning issues on an ongoing basis. Registrant's advisory fee will remain the same regardless of whether or not the client determines to address financial planning issues with the Registrant.

**Fee Dispersion.** Registrant, in its discretion, may charge a lesser investment advisory fee, charge a flat fee, waive its fee entirely, or charge fee on a different interval, based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Ira Materetsky, remains available to address any questions that a client or prospective client may have regarding advisory fees.

#### **RETIREMENT PLAN CONSULTING**

The terms and conditions of the Registrant's retirement plan consulting services, including the applicable fee, shall be set forth in a Retirement Plan Consulting Agreement between the Registrant and the plan sponsor. Clients can engage Registrant to provide Retirement Plan Consulting services for a fixed fee or a fee based on a percentage of plan assets, which fees may be negotiable and may vary depending upon the level and scope of the service(s) required and the professional(s) rendering the service, and will generally range from 0.40% to 1.00% of plan assets.

- B. Both Registrant's *Investment Advisory Agreement* and the custodial clearing agreement will generally authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value (market value or fair market value in the absence of market value) of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *Pershing* serve as the broker-dealer/custodian for client investment management assets. In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees (unless the client engages the Registrant on a wrap fee basis, in which event, the commissions and transactions fees are included in the Registrant's wrap fee), the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). The fees charged by the applicable broker-dealer/custodian, and the charges imposed at the fund level, are in addition to Adviser's investment advisory fees referenced in this Item 5.
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets (market value or fair market value in the absence of market value) on the last business day of the previous quarter. The *Investment Advisory Agreement* between the Registrant and the client will continue in



effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing month.

- E. **Commission Transactions.** In the event that the client desires, the client can engage certain of the Registrant's representatives, in their separate individual capacities as registered representatives of PCS, a FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through PCS, PCS will charge brokerage commissions to effect securities transactions, a portion of which commissions PCS shall pay to Registrant's representatives, as applicable in their separate individual capacities as registered representatives of PCS. The brokerage commissions charged by PCS may be higher or lower than those charged by other broker-dealers. In addition, PCS, as well as Registrant's representatives can receive ongoing 12b-1 trailing commission with respect to any commission products sold.
1. **Conflict of Interest:** The recommendation that a client purchase a commission product from PCS presents a *conflict of interest*, as the receipt of commissions and/or other forms of compensation, such as 12b-1 trailing commissions, may provide an incentive to recommend investment products based on compensation to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives or PCS. **The Registrant's Chief Compliance Officer, Ira Materetsky, remains available to address any questions that a client or prospective may have regarding the above conflict of interest.**
  2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
  3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
  4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation or 12b-1 fees for such advisory services. **However**, a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

## **Item 6 Performance-Based Fees and Side-by-Side Management**

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7 Types of Clients**

The Registrant's clients shall generally include individuals, high net worth individuals, retirement plans, and charitable organizations. In general, Registrant requires a minimum

of \$250,000 to open and maintain an advisory account. At Registrant's discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. Registrant does not require a minimum fee for its investment management services.

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

- A. The Registrant may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear, including the complete loss of principal investment. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s). Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, the Registrant allocates client investment assets on a non-discretionary basis primarily among mutual funds and exchange traded funds in accordance with the client's designated investment objective(s). Each type of security has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with investing in these types of securities:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors) but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Commodity Risk. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. 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 impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invests it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. 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).

Exchange Traded Fund Risk. ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its 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.

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any material disciplinary actions.

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

- A. As disclosed above in item 5.E, certain of Registrant's representatives are registered representatives of *PCS*, a FINRA member broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Registered Representatives of PCS.** As disclosed above in Item 5 E, certain of Registrant's representatives are registered representatives of *PCS* and may effect securities brokerage transactions on a fully disclosed commission basis.

**Licensed Insurance Agents.** Certain of Registrant's representatives, in their individual capacities, are licensed insurance agents and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4 above, clients can engage certain of Registrant's representatives, in their individual capacities as licensed insurance agents, to effect insurance transactions on a commission basis.

**Conflict of Interest:** The recommendation by Registrant's representatives that a client purchase a securities or insurance commission product presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. Clients are reminded that they may purchase investment and/or insurance products recommended by Registrant and/or its representatives through other, non-affiliated registered representatives or insurance agents.

**Tax and Estate Planning Specialists, Inc.** Registrant's representative, Thomas B. Gau, is a certified public accountant and President of both Thomas B. Gau, CPA, CFP and Tax and Estate Planning Specialists, Inc., and may recommend his tax planning and/or accounting services to Registrant's clients. To the extent a client determines to engage Mr. Gau to provide tax preparation and/or accounting services, such services shall be provided by Mr. Gau in his individual capacity as a certified public accountant, independent of

Registrant. Registrant will not receive any portion of fees charged by Mr. Gau for such services.

*Conflict of Interest:* The recommendation by Mr. Gau that a client elect the tax preparation and/or accounting services of Thomas B. Gau, CPA, CFP and/or Tax and Estate Planning Specialists, Inc. presents a conflict of interest, as the receipt of fees for tax preparation and/or accounting services may provide an incentive to recommend such services, rather than recommending such services based upon a particular client's needs. No client is under any obligation to utilize Thomas B. Gau, CPA, CFP nor Tax and Estate Planning Specialists, Inc. for tax preparation and/or accounting services. Clients are reminded that they may elect to obtain tax preparation and/or accounting services recommended by Registrant through other non-affiliated certified public accountants.

**The Registrant's Chief Compliance Officer, Ira Materetsky, remains available to address any questions that a client or prospective may have regarding the above conflict of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that Access Person of the Registrant

must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Pershing*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Pershing* (or another broker-dealer/custodian, investment platform and/or mutual fund sponsor) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. In the event that a client is not in the Wrap-Fee Program, the brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Non-Soft Dollar Research and Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Pershing* (or may receive from another broker-dealer/custodian, investment platform and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better

monitor and service client accounts maintained at such institutions. Included within the support services that can be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

Certain of the above support services and/or products assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Pershing* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Pershing* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Ira Materetsky, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.**

2. The Registrant does not receive referrals from broker-dealers.
  3. **Directed Brokerage.** We generally recommend that our clients utilize the brokerage and custodial services provided by *Pershing*. We may accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by us. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event that the client directs us to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that we recommend. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.
- B. **Order Aggregation.** Transactions for each client account generally 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 is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commissions or other transaction



costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. We shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principal and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12 above, we can receive from *Pershing*, without cost (and/or at a discount), support services and/or products. Our clients do not pay more for investment transactions effected and/or assets maintained at *Pershing* as result of this arrangement. There is no corresponding commitment made by us to *Pershing* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements. **The Registrant's Chief Compliance Officer, Ira Materetsky, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.**
- B. Registrant does not compensate, directly or indirectly, any person for client referrals.

### **Item 15      Custody**

Registrant shall have the ability to deduct its advisory fee from the client's custodial account. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian (i.e., *Pershing*) at least quarterly. **Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Registrant's advisory fee calculation.

The Registrant can provide other services on behalf of its clients that require disclosure at ADV Part 1, Item 9 (currently no such disclosure is required). In particular, a client may sign asset transfer authorizations that permits the qualified custodian to rely upon instructions from the Registrant to transfer client funds to “third parties.” In the event that the Registrant was to maintain any such arrangements, it would seek to rely on the guidance provided in the SEC Staff’s February 21, 2017 Investment Adviser Association No-Action Letter so that no such affected accounts would be subject to an annual surprise CPA examination.

#### **Item 16 Investment Discretion**

Registrant does not accept discretionary authority to manage securities accounts on behalf of clients.

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

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client’s investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

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

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant’s Chief Compliance Officer, Ira Materetsky, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**