



# INDEPENDENT FINANCIAL GROUP, LLC

ADV PART 2A

## FIRM BROCHURE

12671 High Bluff Drive  
Suite 200  
San Diego, CA 92130

858-436-3180 Phone  
858-481-9033 Fax

**Dated March 31, 2023**

[www.ifgsd.com](http://www.ifgsd.com)

### ITEM 1 – COVER PAGE

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This ADV Part 2A Firm Brochure provides information about the qualifications and advisory business practices of Independent Financial Group, LLC. Independent Financial Group, LLC is a Registered Investment Adviser. Registration of an investment adviser does not imply any level of skill or training. If you have any questions about the contents of this brochure, please contact us at (858) 436-3180 or email us at [compliance@ifgsd.com](mailto:compliance@ifgsd.com). Additional information about Independent Financial Group, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**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.**

## ITEM 2 – MATERIAL CHANGES

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### Summary of Material Changes

1. The firm has added a program Investment Model Services that can be utilized by all Investment Advisor Representatives and managed on a discretionary basis by IFG's Director, Research & Portfolio Construction. This program is expected to be implemented in the second quarter of 2023.
2. The firm now allows for Principal Trades
3. IFG has changed the defined term "Solicitor" to "Promoter".

**Brochure Availability** - We will provide you with a new brochure at any time, without charge. Currently, our brochure may be requested by contacting Independent Financial Group, LLC at 858-436-3180 or [compliance@ifgsd.com](mailto:compliance@ifgsd.com) and is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ITEM 4 – ADVISORY BUSINESS

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**A. Adviser Background** - Independent Financial Group, LLC (IFG, Adviser, Firm) is a privately owned Registered Investment Adviser (RIA) registered with the Securities and Exchange Commission (SEC) since 2004, a broker/dealer and member of the Financial Industry Regulatory Authority (FINRA) since 2003 and a member of the Securities Investors Protection Corporation (SIPC). Independent Financial Group, Inc., a domestic entity, is the principal owner of Adviser.

**B. Advisory Services** - Adviser offers a variety of financial planning and advisory services through Investment Adviser Representatives (IARs) who are, in most cases, also Registered Representatives (RRs) affiliated with IFG. IARs are independent contractors and may be involved in other business activities including, but not limited to, insurance sales, estate planning and tax preparation. Additional information regarding a particular IAR's other business activities is disclosed in the respective IAR's Form ADV Part 2B.

The specific types of advisory services to be provided will be determined by the client and the IAR. These services include, but are not limited to, discretionary and non-discretionary portfolio management, asset allocation within a portfolio, day-to-day investment decisions, referrals to third party asset managers, financial planning, Wrap Accounts, and consulting services. Additionally, IFG provides Retirement Plan Services (RPS) to ERISA and non-ERISA retirement plans. As a registered broker-dealer, IFG offers brokerage services; in some instances, advisory clients may also receive brokerage services. Whether an IAR offers a client brokerage or advisory services or a combination of both depends on various factors including client's needs, stated investment goals and objectives, investment style and trading preferences. Each client should take time to consider the differences between a brokerage and advisory relationship to determine which type(s) of service(s) best serve(s) their needs. In the disclosure section of IFG's website ([www.ifgsd.com](http://www.ifgsd.com)) titled "Understanding the Difference between Brokerage and Investment Advisory Services." IFG provides information to assist clients with determining the most appropriate relationship(s) for their situation. Please note that there is no guarantee that the advisory services offered will result in meeting a client's goals and objectives nor is there any guarantee of profit or protection from loss. No assumption can be made that any particular advisory service or strategy will provide better returns than other investment strategies. Descriptions of IFG's advisory programs are provided below.

**Technology** - IAR may utilize AccessPoint, IFG's primary asset management platform. The AccessPoint platform is provided by Envestnet. Envestnet is a subsidiary of Envestnet, Inc., a publicly held company (NYSE: ENV). Envestnet provides portfolio management services to retail clients as well as institutional clients.

Envestnet also provides Adviser with an extensive range of investment advisory services for use by IARs with their clients through its Managed Accounts Network (Private Wealth Management) programs, available through AccessPoint. These programs include Separately Managed Accounts, Unified Managed Accounts and Third-Party Fund Strategists.

In addition to the Envestnet advisory services offered in the programs, Envestnet also offers IARs advisory service tools and services. The services offered by Envestnet include, but are not limited to: (1) assessment assistance regarding the client's investment needs and objectives; (2) investment policy planning assistance; (3) development of an asset allocation strategy designed to address the client's objectives; (4) recommendations on suitable style allocations; (5) identification of appropriate managers and investment vehicles suitable to the client's goals; (6) evaluation of asset managers and investment vehicles meeting style and allocation criteria; (7) engagement of selected asset managers and investment vehicles on behalf of the client; (8) review of client accounts to ensure adherence to policy guidelines and asset allocation; (9) recommendations for account rebalancing, if necessary; (10) online reporting of client account's performance and progress; and (11) fully integrated back office support systems to IAR, including interfacing with client's custodian, trade order placement, billing and performance reporting. IARs determine which services and programs to utilize with their clients and may utilize the programs of other third-party services providers in conjunction with these programs.

**Custody** – Adviser utilizes third-party custodians to custody client assets. Pershing LLC, TD Ameritrade Institutional and Charles Schwab & Co., American Funds and other third-party custodians may be approved by IFG from time to time, act as qualified custodians for Program (as such term is defined below) assets, as applicable. In addition, clients will receive account statements from the respective Program custodian. With IFG approval, IARs may also provide additional reporting services to their clients. Clients are encouraged to review and compare the account information in the performance reports and any additional IAR reports to the statements provided by custodians.

**Portfolio Management Programs** – In providing portfolio management services to client accounts, IARs may utilize one or more of the following programs.

**1. Adviser Portfolios: AP Client (PWV), CAM Client (JGD), Adviser Plus\*(0BW), Adviser Plus II (AGY) and Legacy NPB (NPF):**  
- The AP Client, CAM Client, Adviser Plus, Adviser Plus II and Legacy NPB Programs (each a "Program" and collectively "Programs") offers participants asset allocation, brokerage services, consolidated reporting and periodic recommendations based on stated investment objectives. To participate none of these Programs, IAR and client enter into a program specific investment advisory services agreement. Clients may authorize IAR to execute transactions on a discretionary or non-discretionary basis. Non-discretionary accounts are not available in the AP Client Program.

Pershing, LLC (Pershing), a BNY Mellon Company based in Jersey City, NJ provides custodial and execution services with respect to these Programs. Program accounts are billed quarterly or monthly in advance or in arrears depending on the agreement between client and IAR. Pershing will provide custodial statements for each Program account.

Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), structured products, fixed income and other securities. When utilizing mutual funds, only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in Program accounts as indicated in the advisory services agreement. Options and margin accounts require the client to complete and sign additional forms that need to be reviewed and approved before option or margin activity can occur.

**2. CAM Client TD (Freedom-One TD) & CAM Client Schwab (Freedom-One Schwab) Program Services:** Adviser has entered into an advisory services agreement with TD Ameritrade Institutional (TD) and Charles Schwab & Co. (Schwab), (collectively TD/Schwab Programs) to provide custody and execution services for Adviser's CAM Client TD and CAM Client Schwab programs. The CAM Client TD and CAM Client Schwab programs offer participants asset allocation, brokerage services, consolidated reporting and periodic recommendations based on stated investment objectives.

To participate in the CAM Client TD or CAM Client Schwab program, IAR and client enter into a program specific investment advisory services agreement whereby the client directs the opening of a custodial account at either TD or Schwab. Client may authorize IAR to execute transactions on a discretionary or non-discretionary basis. TD/Schwab Program accounts are billed quarterly or monthly in advance or in arrears depending on the agreement between client and IAR. TD or Schwab will provide custodial statements for each client account.

Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), structured products, fixed income and other securities. When utilizing mutual funds, only no-load or load-waived mutual funds may be purchased within TD/Schwab Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in TD/Schwab Program accounts as indicated in the advisory services agreement. Options transactions and margin accounts require the client to complete and sign additional TD/Schwab forms that need to be reviewed and approved by TD or Schwab before margin or options activity can occur.

**3. Variable Annuity and Variable Life Program Services:** Offer the client the opportunity for management of annuity or variable life sub-accounts on a fee basis. Services may include asset allocation, consolidated reporting and periodic recommendations on annuities and variable life insurance based on clients' stated investment objectives. The services offered consist of but are not limited to:

- Initial consultation on the merits and benefits related to various sub-accounts as a component of the client's total asset allocation.
- Directing the investment and reinvestment of the subaccounts in accordance with the client's investment objectives.
- Consultation and advice on re-allocations if and when appropriate.
- Monitoring the investments, reviewing, reporting and consulting.

To participate in a Variable Annuity and Variable Life Program, IAR and client enter into an investment advisory services agreement. The client may authorize IAR to execute transactions on a discretionary or non-discretionary basis. Variable Annuity and Variable Life Program accounts are billed monthly or quarterly in advance or in arrears depending on the agreement between client and IAR. The applicable sponsor will provide custodial statements for client accounts.

**4. Financial Planning and Consulting Services:** IAR may provide financial planning and consulting services for a fee. All fees and services are based upon the complexity of the work, the professional level of the IAR providing the services and other general market factors. The amount to be charged is negotiable and the amount as well as the payment arrangement are outlined in the Financial Planning/Consulting Agreement (FPCA). As agreed, services can be for a one-time deliverable or on-going as specified in the FPCA. Payment arrangement options include charging an hourly fee, a fixed dollar amount or, in certain situations, an on-going fee through a retainer arrangement. Retainer arrangements will generally charge fees on a monthly or quarterly basis; at no time will such fee be charged six months or more in advance of services rendered and/or in an amount of \$1,200 or more.

Financial planning clients are under no obligation to implement such recommendations through IAR. General categories of financial planning or consulting services include:

- **Basic Financial Planning or Consultation:** Basic financial planning/consulting will identify a client's current goals and objectives and create a roadmap which assesses the client's current situation and document steps to help assist the client with addressing their financial goals.
- **Comprehensive Financial Planning:** Comprehensive financial planning takes a holistic planning approach that includes assisting clients with their complete financial picture and incorporating sophisticated technology seeking to help optimize their results.
- **Advanced Planning / In-Depth Financial Consulting and/or Plan Module:** This service is generally an in-depth review and analysis on one or more specific topics that requires specialized knowledge or experience.

**5. Third Party Asset Manager Services:** IFG has entered into a relationship with a number of third-party asset managers (TPAMs). TPAMs are approved after a due diligence process, and are selected, in part, based on whether they offer competitive products, their technology, their customer service, and their training capabilities. TPAM services include, but are not limited to, model portfolio programs, mutual fund and ETF wrap programs, separately managed account programs and management of the selection and allocation of variable annuity and variable life insurance sub-accounts. TPAM portfolios may consist of a variety of different security types, including stocks, bonds, ETFs, mutual funds, and derivatives. Additionally, certain programs provided by TPAMs are wrap fee programs, whereby the client pays a "wrap fee", which is an asset-based fee that includes advisory fees, and brokerage service costs under an all-inclusive program fee. The program fees paid by client for wrap accounts may be higher or lower than advisory fees and commissions which the client could negotiate separately for the same services. Information regarding any TPAM wrap fee programs will be provided in the TPAM's applicable wrap fee brochure.

In providing TPAM services, Adviser acts either as a Promoter or as a co-advisor/sub-advisor to the TPAM.

**Promoter** – A Promoter is an entity or person who provides an endorsement for compensation. When acting as a Promoter (formerly called a solicitor) for a TPAM, IFG and IAR do not provide portfolio management services. Instead, IAR will assist the client with selecting one or

more TPAMs believed to be suitable based on the client's stated risk tolerance?, investment objectives, and financial goals. The IAR will be responsible for assessing the suitability of the TPAM products and services against the client's risk profile. IFG and IAR are compensated for the referral to the TPAM. This compensation generally takes the form of the TPAM sharing a percentage of the advisory fee you pay to the TPAM with IFG and IAR. When IAR acts as a Promoter, the TPAM will provide you with its disclosure brochure and a written Promoter disclosure statement describing the nature of IFG and IAR's relationship with the TPAM, if any, the terms of the compensation arrangement, and a description of the compensation received for referral to the TPAM. Please consult the applicable TPAM agreement and other information and documentation for further information.

**Co-Adviser/Sub-Adviser** - When acting in a co-adviser or sub-adviser capacity, IAR and the TPAM are jointly responsible for the ongoing management of client's account. IAR will assist with the completion of the investor profile questionnaire. Responses to this investor profile will assist IAR with understanding client's investment objectives, financial situation, risk tolerance, investment time horizon and other relevant aspects of your investment needs and goals. Based on the information provided, IAR will assist with determining which TPAM, model and/or portfolio strategy is appropriate. Additionally, IAR will periodically monitor the TPAM's performance, investment selection, and continued suitability and will advise accordingly.

In addition to the advisory relationship that you will have with the TPAM, you will also enter into an advisory relationship with IFG by completing and signing our Account Application and Agreement.

As part of establishing an account with the TPAM, you will receive both IFG's disclosure brochure as well as the TPAM's disclosure brochure. Since each TPAM is different and involves different types of investment products, it is important that you carefully review all documents provided to you on behalf of the TPAM. These include, but are not limited to:

- The TPAM's Form ADV Part 2A or Disclosure Brochure for specific program descriptions.
- The TPAM's Client Agreement as well as any other agreement entered into regarding a TPAM program, for specific contractual terms (including fees, billing methods, administrative and other fees, etc.).
- Any additional disclosure or offering documents provided by the TPAM in connection with investment programs and/or products.

The services provided by IFG and IAR through a TPAM are under certain conditions directly offered by them to you. The fees charged by TPAMs who offer their programs directly can be more or less than the combined fees charged by the TPAM and IFG for IFG's participation in the investment programs. Additionally, the specific TPAM advisory program you select may cost more or less than purchasing these combined services separately. Factors that bear upon the cost of a particular advisory program in relation to the cost of the same service purchased separately include, but may not be limited to the type and size of the account, the historical or expected size or number of trades for the account, the types of securities and strategies involved, the amount of fees, commissions, and other charges that apply at the account or transaction level, and the number and range of supplementary advisory and client-related services provided to the account. Lower fees for comparable services are available from other sources.

- C. Client Needs** – IAR conducts initial meetings with each potential advisory client to discuss their financial needs, personal goals, risk tolerance, time horizon and overall investment objectives. It is imperative that the client provide accurate and complete information and promptly inform IAR of any material changes in their circumstances so IAR can evaluate if adjustments to the advisory accounts are necessary. Clients may impose restrictions on investing in certain securities or types of securities in most advisory programs.
- D. Wrap Program** - The various wrap fee programs offered through IAR are available on a discretionary or non-discretionary basis and are tailored to the needs of the client. In order to establish a program account, the client will be required to sign an investment advisory agreement with Adviser. A wrap fee program allows clients to pay a specified fee for portfolio management services and the execution of transactions. The fee is not based directly upon transactions in client's account. Transaction fees will be paid by the Firm via individual transaction charges or asset-based pricing arrangements with the broker/custodian. Since the client's fee is bundled with the costs for executing transactions in Client's account(s), this generally results in a higher advisory fee to the client versus the advisory fee in non-wrap arrangements where the client pays for transaction services separately. IFG and IAR do not charge clients a higher advisory fee based on their trading activity in client accounts, but clients should be aware that IFG and IAR may have an incentive to limit the trading activities in client account(s) because IFG and IAR pay for trading costs. By participating in a wrap fee program, client may end up paying more or less than through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed through to client.

IFG offers Investment Model Services that consists of model portfolios managed on a discretionary basis by IFG's Director, Research & Portfolio Construction. The models cover a range from "Conservative" to "Aggressive Growth" and use various asset classes including but not limited to domestic equities, global equities, fixed income, and liquid alternative investments. The model portfolios will be rebalanced at the discretion of the Director. IFG's overall compensation may be greater when investors use these services.

Client pays an annual advisory fee based on a percentage of assets under management according to the fee schedules provided below. In certain instances, advisory fees are negotiable. An IAR recommending a wrap program to a client receives compensation as a result of client's participation in the program. The amount of this compensation may be more or less than what the IAR would receive if the client participated in other programs offered by Adviser or paid separately for investment advice, brokerage and other services. Therefore, the IAR may have a financial incentive to recommend one program over other programs or services.

- E. Client Assets Under Management** –

As of December 31, 2022 Adviser manages a total of \$5,978,096,039 of which \$5,141,162,593 in assets are managed on a discretionary basis and services \$836,933,445 in non-discretionary assets.

**ITEM 5 – FEES AND COMPENSATION**

**A. Compensation for Advisory Services-** Adviser is compensated for advisory services by fees based on the value of client accounts at the end of each billing period (which may be quarterly or monthly as agreed upon). All advisory fees within Adviser’s programs are negotiable. Transaction charges are subject to change. Below is a description of advisory program fees.

1. **Fees and Transaction Charges -** The fees and transaction charges below reflect the advisory fees charged by Adviser and IAR. With the exception of the AP Client, CAM Client and NPB Legacy programs, there is an additional \$4.00 confirmation generation cost for each transaction charged by Pershing. For additional charges for services provided by Pershing, clients should refer to the account opening documentation. The advisory fee schedule is in effect for, and will continue until, thirty (30) days after IAR notifies the client in writing of any change in the amount of fees applicable to the client's account. The new fees will be effective unless the client notifies IAR in writing that the account management is to be terminated.

For the Legacy NPB Program fees are calculated by the IAR who submits the calculations to IFG for review. Adviser then notifies Pershing to deduct the fee from client’s Program account or from another Pershing account as designated by client. Certain clients pay this fee by check. For these check-paying clients, IFG reserves the right to charge interest for any late fee payment.

LEGACY NPB RANGE (NPF)	
Transaction type	Transaction charge
<b>Listed Equities:</b>	
<b>Market Order:</b>	\$20
< or = to 2,099 shares	\$20 + \$.015/share
> 2,099 shares	\$20 + \$.015/share
<b>Limit Order</b>	\$20 + \$.015/share
<b>OTC Equities</b>	\$20
<b>Options:</b>	
<b>Equity &amp; Index</b>	\$20 + \$1.50/option
<b>Debt &amp; Currency</b>	\$20 + \$2.40/option
<b>Fixed Income:</b>	
<b>Bonds (Corp., Treas., Munis)</b>	\$30.00
<b>Listed Corporate</b>	\$30 + \$1/bond
<b>Gov't Agencies</b>	\$35
<b>Money Mkt (CD's, BA's, CP)</b>	\$30
<b>UITs—purchases &amp; Redemptions</b>	\$30
<b>Load Mutual Funds:</b>	
<b>FundServ</b>	\$15
<b>Non-FundServ</b>	\$40
<b>No Load Mutual Funds</b>	\$20
<b>Dollar Cost Avg. &amp; Systematic</b>	\$2
<b>Exchanges</b>	\$5

In addition to the Fee, transaction charges will apply on all securities transactions conducted within the Account as set forth below plus \$5.00 mailing cost for each transaction confirmation.

AP CLIENT TRANSACTION CHARGES (PWV)	
Investment Type	Transaction Charge
Listed Equities	\$12.00
OTC Equities	\$10.00
Equity & Index Options	\$12.00 + \$1.50/contract
Option Exercise & Assignments	\$30.00
Listed Bonds	\$40.00 + \$1.25/bond
Corporate, Treasury & Muni Bonds	\$10.00
CDs & UITs	\$40.00
Mutual Fund Purchases/Redemptions	\$10.00 (\$0 for Fund Vest)
Mutual Fund Internal Exchanges	\$7.00

CAM CLIENT (I-DESIGN II) TRANSACTION CHARGES (JGD)	
Investment Type	Transaction Charge
Listed Equities	\$12.00
OTC Equities	\$10.00
Equity & Index Options	\$12.00 + \$1.50/contract
Option Exercise & Assignments	\$30.00
Listed Bonds	\$40.00 + \$1.25/bond
Corporate, Treasury & Muni Bonds	\$10.00
CDs & UITs	\$40.00
Mutual Fund Purchases/Redemptions	\$10.00 (\$0 for Fund Vest)
Mutual Fund Internal Exchanges	\$7.00

ADVISER PLUS TRANSACTION CHARGES (OBW)	
Investment Type	Transaction Charge
Listed & OTC Equities	\$25.00
Listed Bonds	\$40.00
Corporate, Treasury & Muni Bonds	\$40.00
CDs & UITs	\$40.00
Mutual Fund Purchases/Redemptions	\$15.00
Mutual Fund Internal Exchanges	\$10.00

ADVISER PLUS II TRANSACTION CHARGES (AGY)	
Investment Type	Transaction Charge
Listed Equities	\$25.00 + 0.015 cents/share
OTC Equities	\$25.00
Equity & Index Options	\$30.00 + \$1.50/contract
Option Exercise & Assignments	\$30.00
Listed Bonds	\$35.00 + \$1.25/bond
Corporate, Treasury & Muni Bonds	\$35.00
CDs & UITs	\$40.00
Mutual Fund Purchases/Redemptions	\$15.00
Mutual Fund Internal Exchanges	\$10.00

- CAM Client TD (Freedom-One TD) & CAM Client Schwab (Freedom-One Schwab) Program Costs** - Client pays an annualized advisory fee or a flat fee in addition to brokerage transaction charges as outlined below. The maximum advisory fee is 3.00% per year. The advisory fee is negotiable and can be reduced due to the unique circumstances of each client.
- Fees and Transaction Charges** - For information concerning charges for brokerage and other services provided by TD and Schwab, clients should refer to information provided by these firms. The advisory fee schedule reflected in client's agreement with Adviser is in effect for, and will continue until, thirty (30) days after IAR notifies the client in writing of any change in the amount of fees applicable to the client's account. The new fees will be effective unless the client notifies IAR in writing that the account management is to be terminated.
- Variable Annuity and Variable Life Program Services Costs** - Clients pay an annualized advisory fee. The maximum advisory fee is 3.00% per year. The advisory fee is negotiable and can be reduced depending on the unique circumstances of each client.

**Fee Schedule** - For additional charges for services imposed by the insurance carrier, clients should refer to the carrier's fee schedule in the prospectus. The advisory fee schedule is in effect for, and will continue until, thirty (30) days after IAR notifies the client in writing of any change in the amount of fees applicable to the client's account. The new fees will be effective unless the client notifies IAR in writing that the account management is to be terminated.

## 5. Financial Planning and Consulting Services Fees

All fees and services are negotiable and specified under the terms of the Financial Planning/Consulting Agreement.



- **Hourly Financial Consulting:** Fees for hourly financial consulting generally range from \$100 to \$300 per hour. In certain circumstances, the fee, or a portion of it, may be collected in advance.
- **Fixed Fee Services:** A fixed fee can be charged as documented in the Financial Planning/Consulting Agreement. The agreed upon fee can vary by client or arrangement depending upon the services provided or complexity of the client situation. Clients may pay a portion of the fee in advance and the balance upon completion of services.
- **Subscription Based:** The subscription based fee for the financial planning program will be stated in the Financial Planning/Consulting Agreement. Clients may pay a portion of the fee in advance and then on a systematic basis, generally monthly or quarterly.

In cases where the client has paid their fee or a portion of their fee in advance, the client will have five (5) days after signing the agreement to terminate without penalty. If the client terminates the agreement after the first five days, the client will receive a refund of the fees paid or a portion of the fee if partial services have been provided. In that instance, the refund amount will be determined based on the cost of any services performed or expenses incurred before termination.

If fees are collected in advance of services rendered, the IAR will deliver the requested services within six (6) months or the client will receive a refund of unearned fees.

6. **Third Party Asset Manager Fees** - IFG and IAR receive a portion of the fee paid to the TPAM whenever a TPAM's advisory services are utilized. Please see Item 14 for information concerning additional benefits and compensation provided to IFG by TPAMs and the related conflicts of interest. Client is urged to carefully review and discuss the various programs and services being offered, the fees and charges client will pay, how IFG and IAR will be compensated and the conflicts of interest that exist between IFG/IAR and client to determine the most appropriate programs or services for client's specific needs.

Client will pay the TPAM a management fee, which is generally not negotiable, as determined by each TPAM and disclosed in the respective TPAM's Disclosure Brochure and/or Client Agreement. Please refer to the respective program description in this Brochure, the respective client agreement, and the respective TPAM Program Brochure (if applicable) for specific information about the fees that will be paid, the varying fee schedules of each program, and the methods of fee billing for the program(s) you select. Certain TPAMs have lower maximum annual fee amounts and fee schedules will vary among programs.

Further, each IAR negotiates his or her own management fee schedule, which is in addition to the management fee assessed by the TPAM or, generally for Promoter programs, included in the TPAM's fee. The maximum management fee charged by an IAR is 3.00% per year. Depending on the specific TPAM, client may also be responsible for the following costs: transaction costs (for non-wrap fee TPAM programs); custody fees and other account related fees assessed by the TPAM or custodian. Client's account will be held with the TPAM custodian where fees will be assessed and deducted.

Mutual funds and exchange traded funds have their own internal expenses which are separate and distinct from the program management and account-related fees (for more information on mutual fund and/or exchange traded fund fees, see the applicable prospectus). Client and IAR should consider the overall fees and expenses, including internal fund expenses, when selecting managers and other portfolio investments.

For further details, please see the applicable TPAM's disclosure brochures, investment advisory contracts and account opening documents.

7. **Reporting & Billing Services Program** – IAR may utilize this program for Reporting & Billing services through AccessPoint. For these services, there is a \$50/year, per account service fee.
8. **Other Fees** – By exception, IAR may have an agreement with client to charge a percentage fee for assets not held at an approved Broker/Custodian (as such term is defined below). In these instances, IAR will submit the fee calculation to IFG for review. Adviser then notifies Pershing to deduct the fee from client's Program account or from another Pershing account as designated by client. Certain clients pay this fee by check. For these check-paying clients, IFG reserves the right to charge interest for any late fee payment.

## Wrap Program Specific Fees and Information

**1. Advisor Portfolios (IAR-Directed Programs)** - Client pays an annualized program fee depending on the advisory program; brokerage charges and transaction expenses are included in the program fee unless otherwise specified. The program fee is negotiable and can be reduced depending on the unique circumstances of each client. The program fee is in effect for, and will continue until, thirty (30) days after IAR notifies the client in writing of any change in the amount of fees applicable to the client's account. The new fees will be effective unless the client notifies IAR in writing that the account management is to be terminated.

- a) **AP Advisor (Account Range PWU)**- The AP Advisor Program offers client advisory services, asset allocation, brokerage services, consolidated reporting and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Pershing serves as the custodian for Program account assets. Client authorizes IAR to manage the account on a discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), , structured products, fixed income, and other securities. When utilizing mutual funds, only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) maybe permitted in Program accounts as indicated in the advisory services agreement. Options and margin accounts require the client to complete and sign additional forms which need to be reviewed/approved before option or margin activity can occur.

**Fee Schedule** - The maximum advisory fee for this program is 3.00% per annum. Costs associated with execution of transactions are charged to the IAR.

- b) **AP Premier (Account Range PWT)**- The AP Premier Program offers advisory services, asset allocation, brokerage services, consolidated reporting and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Pershing serves as the custodian for Program account assets. Client authorizes IAR to manage the account on a discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), structured products, fixed income and other securities. When utilizing mutual funds, only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in Program accounts as indicated in the advisory services agreement. Options and margin accounts require the client to complete and sign additional forms which need to be reviewed/approved before option or margin activity can occur.

**Fee Schedule** - The maximum advisory fee for this program is 3.00% per annum. The advisory platform fee includes up to 150 trades (regardless of whether it is a buy or a sell) per calendar year.

- c) **CAM Adviser (Previously known as I-Design) (Account Range JGR)** - The CAM Adviser Program offers advisory services, asset allocation, brokerage services, consolidated reporting and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Pershing serves as the custodian for program account assets. Client authorizes IAR to manage the account on a discretionary or non-discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), structured products, fixed income and other securities. Only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in Program accounts as indicated in the advisory services agreement. Options and margin accounts require the client to complete and sign additional forms which need to be reviewed/approved before option or margin activity can occur.

**Fee Schedule** – The maximum advisory fee for this program is 3.00% per annum. Costs associated with execution of transactions are charged to the IAR.

- d) **CAM 150 (Previously known as I-Custom) (Account Range JGC)** - The CAM 150 Program offers advisory services, asset allocation, consolidated reporting and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Pershing serves as the custodian for Program account assets. Client authorizes IAR to manage the account on a discretionary or non-discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), structured products, fixed income and other securities. When utilizing mutual funds, only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in Program accounts as indicated in the advisory services agreement. Options and margin accounts require the client to complete and sign additional forms which need to be reviewed/approved before option or margin activity can occur.

**Fee Schedule** - The maximum advisory fee for this program is 3.00% per annum. The advisory platform fee includes up to 150 trades (regardless of whether it is a buy or a sell) per calendar year.

- e) **Advisor Plus Wrap Program (Account Range ADW) (Closed to new business with limited exceptions)** - The Advisor Plus Wrap Program offers advisory services, asset allocation, consolidated reporting and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Pershing serves as the custodian for Program account assets. Client authorizes IAR to manage accounts on a discretionary or non-discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), structured products, fixed income and other securities. When utilizing mutual funds, only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in Program accounts as indicated in the advisory services agreement. Options and margin accounts require the client to complete and sign additional forms which need to be reviewed/approved before option or margin activity can occur.

**Fee Schedule** - The maximum advisory fee is 3.00% per annum. Costs associated with execution of transactions are charged to the IAR.

**2. AccessPoint Third Party Management Programs and Investment Model Services (Account Ranges PWW, PWX, PWY, PWZ, PXZ)** - The SMART Portfolios, Investment Model Services Portfolios, Third-Party Portfolios, Separately Managed Accounts, Unified Managed Accounts, and Multi-Manager Portfolios offers programs which include custody and clearing fees, platform manager fee, account administrative fee, and money manager fees. Client authorizes IAR to manage the account on a discretionary basis. Depending on the services utilized by the IAR, the Program fee also includes third party investment management services comprised of client profiling assistance, strategic asset allocation assistance, style allocation assistance, research and evaluation of approved investment strategies and mutual funds, account performance calculations, account rebalancing, account reporting, account billing administration and other operational and administrative services.

**Fee Schedule** - The maximum advisory fee for this program is 3.00% per annum.

- f) **I Freedom Wrap Fee Program at Schwab** - The Wrap Fee Program at Schwab offers advisory services, asset allocation, brokerage services and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Charles Schwab and Co., Inc. (Schwab) serves as the custodian for Program account assets. Client authorizes IAR to manage the account on a discretionary or non-discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), structured products,

fixed income and other securities. When utilizing mutual funds, only no-load or load-waived mutual funds may be purchased within Schwab Wrap Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in the Schwab Wrap Program accounts as indicated in the advisory services agreement. Options and margin accounts require the client to complete and sign additional Schwab forms which need to be reviewed/approved before option or margin activity can occur.

Effective October 7, 2019, Schwab has eliminated commissions for online trades of U.S. equities, ETFs and options (subject to \$0.65 per contract fee). You are encouraged to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap arrangement. Client will still incur commissions and fees for certain types of transactions in a non-wrap fee arrangement. To see what client would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [www.schwab.com/aspricingguide](http://www.schwab.com/aspricingguide).

**Fee Schedule** - The maximum advisory fee for this program is 3.00% per annum.

6. **American Funds Class F-2 Direct Program** – The wrap Program at American Funds offers advisory services, asset allocation, and periodic recommendations based on stated investment objectives under an all-inclusive program fee. American Funds serves as the custodian for Program account assets. Client authorizes IAR to manage the account on a discretionary or non-discretionary basis. Eligible assets include American Funds F-2 mutual funds only.

**RPS - Compensation for Retirement Plan Services.** Plan Sponsors will pay Adviser a fee for services as set forth in the Retirement Plan Services Agreement. Adviser and IAR will share in the fee. Fees for the Retirement Plan Services are negotiable. A description of the different types of fees for Retirement Plan Services appears in the fee schedule below:

Fee Type	Fee Range
Percentage of Plan Assets	Negotiable (not to exceed 2% of plan assets per year)
Flat Fee	Negotiable
Project Fee	Negotiable

Depending upon the capabilities and requirements of the Plan's recordkeeper, and/or custodian, fees may be collected in arrears or in advance. Typically, Plan Sponsors instruct the Plan's recordkeeper or custodian to automatically deduct applicable fees from the Plan account; however, in some cases a Plan Sponsor may request that an invoice be sent directly to the Plan Sponsor or recordkeeper/custodian.

Plan Sponsors receiving Retirement Plan Services may pay more than or less than a client might otherwise pay if purchasing the Retirement Plan Services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the Plan, the specific investments made by the Plan, the number or location(s) of Plan participants, the Retirement Plan Services offered by another service provider, and the actual costs of Retirement Plan Services purchased elsewhere. In light of the specific Retirement Plan Services offered by Adviser, the fees charged may be more or less than those of other similar service providers.

In determining the value of the account for purposes of calculating any asset-based fees, Adviser will rely upon the valuation of assets provided by Plan Sponsor or the Plan's custodian or recordkeeper without independent verification. If, however, there are circumstances which, in the Adviser's judgment, render the custodian's valuation inappropriate or inaccurate Adviser will value securities listed on any national securities exchange at the closing price on the principal exchange on which they are traded and will value any other securities in a manner determined in good faith by Adviser to reflect fair market value. In all events, any such valuation will not be any guarantee of the market value of any of the assets in the Plan.

Unless we agree otherwise, no adjustments or refunds will be made in respect of any period for (i) appreciation or depreciation in the value of the Plan account during that period or (ii) any partial withdrawal of assets from the account during that period. If the Agreement is terminated by us or by Plan Sponsor, we will refund certain fees to Plan Sponsor as provided in the Agreement. Unless we agree otherwise, all Fees shall be based on the total value of the assets in the account without regard to any debit balance.

No increase in the applicable fees will be effective without prior written notice.

**Other Fees and Expenses.** Plan Sponsors are responsible for paying charges imposed by third party custodians, brokers, third party money managers and other third parties. Examples of such fees include transaction fees/commissions, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund transfer fees and other fees on brokerage accounts and securities transactions.

All Fees paid to Adviser for Retirement Plan Services are separate and distinct from the fees and expenses charged by mutual funds, variable annuities and exchange traded funds to their shareholders. These fees and expenses are described in each investment's prospectus. These fees will generally include a management fee, other expenses, and possible distribution fees. If the investment also imposes sales charges, client may pay an initial or deferred sales charge. The Retirement Plan Services provided by IAR may, among other things, assist the client in determining which investments are most appropriate to client's financial condition and objectives and providing other administrative assistance as selected by the client. Accordingly, client should review both the fees charged by the funds, the fund manager, the Plan's other service providers and the fees charged by IAR and Adviser to fully understand the total amount of fees to be paid by the client and to evaluate the Retirement Plan Services being provided.

- B. Billing Method** - The manner in which fees are charged is outlined in the Investment Advisory Client Services Agreement and described in *Item 4 – Advisory Services* of this brochure. In general, program fees are billed on a quarterly or monthly basis in advance or in arrears based on the market value of the account on the last business day of the month/quarter. Clients may elect to be billed directly for fees or debit fees from a client account. For the AP Client, CAM Client (Design II), Adviser Plus and Adviser Plus II Programs fees will be prorated for any funds or securities contributed or withdrawn to the account during the applicable calendar quarter that exceed \$10,000. Advisory accounts initiated or terminated during a calendar quarter will be charged prorated Program fees.
- C. Other Fees and Expenses** - The advisory fees are separate from brokerage transaction fees and other related costs and expenses in non-wrap accounts. Please see *Item 12 – Brokerage Practices* below for more information on broker selection. Clients are also responsible for paying applicable charges imposed on their account, including, but not necessarily limited to, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund transfer fees and other fees on brokerage accounts and securities transactions. Please see *Additional Compensation Received by IFG and IAR* below, *Item 12 – Broker Selection* and *Item 14 – Client Referrals and Other Compensation* for more information concerning IFG’s and IAR’s participation in additional compensation and benefits relating to client’s account. In certain cases, as further disclosed below, a portion of these fees is retained by IFG and is not paid to IAR.
- Mutual Funds purchased in the Programs are no-load or load waived funds purchased at net asset value (NAV). Mutual fund investments are subject to early redemption fees, 12b-1 fees and mutual fund internal management fees as well as other mutual fund expenses that are disclosed in the fund’s prospectus. In cases where the mutual fund purchased through a Program pays 12b-1 fees, the Adviser and the IAR do not retain 12b-1 fees and IFG has instructed Pershing to refund such fees to the client by crediting the 12b-1 fees to the client’s cash balance. As cash balances are required to pay advisory fees and may be a part of the account’s asset allocation or otherwise necessary for other reasons, the net effect on total client returns should be negligible. Clients should understand mutual funds generally offer multiple share classes based upon certain eligibility and/or purchase requirements. The assessment of any non-reimbursed internal charges or expenses to the client’s holdings will have the effect of reducing the client’s return on investment. Institutional share classes and other share classes specifically designed for investment advisory programs usually have a lower expense ratio than other non-advisory share classes. The Adviser and IAR have taken steps to utilize the most advantageous share class for the client by providing training to the IAR, signing selling agreements and/or ensuring institutional share classes are included as part of the available product offering and utilizing a fund conversion program. Regardless, client should not assume that they will be invested in the share class with the lowest possible expense ratio and is encouraged to discuss share class selection and their investments’ internal charges with their IAR.
  - Internal comparisons between share classes have shown that there is generally very little difference in overall cost to the client between a load waived A share with the 12b-1 fees rebated back to the client as compared with an institutional share class. Because of the negligible cost difference over a wide study and there being a transaction cost to do an A share to institutional share conversion, the Firm will generally NOT automatically convert A-shares into institutional share classes. If the IAR or the client request the conversion, the Firm will honor the request for a fee.
  - Many of the mutual funds available within the Programs can be purchased directly from the mutual fund sponsor. Therefore, client could avoid the additional layer of advisory fees by not using the services of Adviser and IAR and making their own investment decisions.
  - It is possible for a client to pay a commission on a security or insurance product and then move the investment into a managed account. In these cases where the IAR received a commission, the investment will be ineligible for fee billing, with limited exceptions, for a one-year period from the date of purchase.
- D. Termination** - Advisory accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid unearned fees will be refunded to the client, and any earned unpaid fees will be due and payable.
- E. Additional Compensation** - IFG receives commissions or other fees or compensation for purchases of securities or insurance products placed through or with it as a broker-dealer or agent outside a Program account. IAR in its capacity as a registered representative receives a portion of such fees or compensation. The account services offered by the broker-dealer are separate and distinctly different from the advisory services offered. Additionally, Adviser has entered into arrangements that provide IFG and/or IAR the following types of additional compensation:

**Additional Compensation Received by IFG and/or IAR  
Compensation and Economic Benefits from Pershing**

As disclosed in *Item 12*, client will generally use IFG and Pershing as the broker-dealer and custodian respectively for their advisory account(s). While IFG has negotiated competitive pricing and services with Pershing for the benefit of clients, the Firm’s clearing relationship with Pershing provides the Firm with certain economic benefits, as further discussed below, by using itself (rather than an unaffiliated broker-dealer) as the broker-dealer for Program accounts.

**Transaction Costs and Other Charges and Fees** - IFG receives transaction-based compensation in connection with brokerage services in the AP Client, CAM Client (Design II), Adviser Plus, Adviser Plus II and NPB Legacy programs. Pursuant to IFG’s agreement with Pershing, IFG adds a markup to these transaction costs (ticket charges) and certain other brokerage-related account charges and fees that are assessed to client advisory accounts held at Pershing. The charges and fees that are marked up include but are not limited to: paper delivery surcharge fees for client confirmations, clearance and execution fees, outgoing account transfer fees, mandatory reorganization fees, checking account fees, wire fees, legal transfer fees, bond redemption fees, termination fees and IRA annual custodial maintenance fees. To the extent that a client account is subject to these fees, IFG receives a portion of them. None of these fees that IFG receives is shared with IAR. IFG’s participation in these fees presents a conflict of interest in that IFG has a financial incentive to recommend itself as introducing broker-dealer and Pershing as the clearing firm/custodian for client accounts rather than an unaffiliated broker-dealer/custodian where IFG would not receive a portion of these fees.

**FundVest** — IFG is a participant in Pershing’s FundVest mutual fund no-transaction fee program. This program offers a wide range of mutual funds for which transaction costs are waived on certain purchases that would otherwise be assessed a transaction charge. This presents a conflict

of interest to your IAR in types of accounts where your IAR would otherwise be assessed the ticket charge in that the IAR has a financial incentive to recommend a FundVest mutual fund that does not assess transaction costs over a mutual fund that does assess transaction costs.

In addition, IFG receives third-party compensation based on assets in the FundVest program. This compensation is a conflict of interest because there is a financial incentive to IFG for a client to utilize the FundVest program. However, this conflict is minimized as the compensation is retained by IFG and is not shared with IAR. Therefore, IAR does not have a financial incentive to recommend FundVest mutual funds over other investments.

**Cash Sweep Program** - Advisory accounts where Pershing serves as the custodian provide an automatic daily cash sweep program into money market funds offered by Federated Financial Services Company and Dreyfus Funds. IFG will receive compensation of up to 0.30% of the assets invested in Dreyfus Insured Deposits and up to 0.35% of assets invested in Federated money market funds for non-retirement accounts. IFG's receipt of this compensation is a conflict of interest as it creates a financial incentive for IFG to recommend itself as introducing broker-dealer and Pershing as the clearing firm/custodian for client accounts rather than an unaffiliated broker-dealer/custodian where IFG would not participate in these fees. IAR does not receive any portion of these fees.

**Bank Loans** - In certain circumstances, a client may use the assets in his/her non-qualified Pershing account as collateral to borrow money from a bank that is not affiliated with IFG. The interest rate for such loans is subject to change. Unlike a margin account, these loans may not be used for the purpose of purchasing securities. These loans require periodic payments and remain outstanding until the loan is repaid. Advantages of securities backed lines of credit include potentially allowing client to avoid capital gains taxes resulting from liquidating securities to pay for loans. Additionally, because client still owns the assets in the account, he/she would also receive associated dividends, interest and appreciation. Disadvantages include the requirement to deposit additional funds or the fact that client could be subject to the liquidation of positions should the value of the collateral account decrease below certain levels.

IFG receives third-party compensation from participating banks based on the amount of the outstanding loan. This compensation is a conflict of interest because there is a financial incentive to IFG for clients to maintain their outstanding loan. However, IFG does not share this compensation with IAR. Additionally, IFG's and IARs' interest in continuing to receive investment advisory fees provides an incentive to recommend that clients borrow money rather than liquidating some of their assets in a Program account, when it could be in a client's best interest to sell such assets instead of using them as collateral for a loan.

Prior to establishing a securities-backed line of credit, client should carefully review the loan disclosure, loan agreement, loan application and other forms relating to your loan application.

**Margin Loans** - A margin account is an account where client may borrow funds for the purpose of purchasing additional securities. Client may also use a margin account to borrow money to pay for fees associated with a Program account or to withdraw funds. If client decides to open a margin account, please carefully consider that: (i) if there is not available cash in the account and margin is used, money is being borrowed to purchase securities, pay for fees associated with the account or withdraw funds; and (ii) the securities in the account are being used as collateral.

Money borrowed in a margin account is charged an interest rate that is subject to change over time. This interest rate is in addition to other fees associated with your account. The Firm retains a portion of the margin interest charged, which is a source of revenue. This compensation represents a conflict of interest as the Firm has a financial benefit when you maintain a margin debit balance. However, the Firm does not share this compensation with IAR so IAR does not have a financial incentive to recommend that client maintain a margin balance. IAR does have a conflict of interest when recommending that a client purchase securities using borrowed money. This conflict occurs because the advisory fee is based on the total market value of the securities in the account. If there is a margin debit balance, the margin debit balance does not reduce the total market value of the account. In fact, since money has been borrowed to purchase additional shares, the total market value of the account will be higher, which results in a higher advisory fee.

Please also carefully review the margin disclosure document for additional risks involved in utilizing borrowed funds in a margin account.

**Please see Additional Benefits and Compensation Received from Product Sponsors in Item 14 below for information concerning additional compensation and revenue sharing arrangements in which IFG participates and the related conflicts of interest.**

### **Additional Important Information**

#### **Enhanced Payout for Certain IARs and Advisory Programs**

While no longer available to non-participating IARs, IFG offers a limited number of grandfathered IARs an enhanced payout based on their levels of assets under management in certain advisory programs. These IARs are eligible to receive an enhanced payout, consisting of a participation in IFG's program fee when assets in these programs exceed certain levels. These grandfathered IARs have an incentive to meet these levels, to select these programs over other advisory programs and to place more assets in the Program. This is a conflict of interest in that these IARs have an incentive to recommend these Programs over others in which they do not receive an enhanced payout.

## Program Choice Conflicts

Clients should be aware that the compensation to IFG and IAR varies from one Program to another. Therefore, IAR has a financial incentive to recommend higher paying programs over other programs solely due to the additional compensation received. This is a conflict between the interests of IFG/ IAR and the client.

In addition, IAR may recommend a Program where the client pays the transaction charges or the IAR pays the transaction charges. This presents a conflict of interest between recommendations of different types of programs because the trading costs in some programs cost the IAR more and therefore the IAR has a financial incentive to trade less for these clients or to otherwise recommend programs where the client pays the trading costs.

## Investments Available without IFG's Services

With certain exceptions, client can purchase recommended investments outside of your advisory account without paying for and receiving the benefit of IAR's management services which are designed, among other things, to assist client in determining which investments are most appropriate for your financial condition and stated investment goals and objectives, risk tolerance and time horizon. By not paying for the management and other services provided by IAR, client's costs to hold the investments will probably be lower.

## Tax Consequences of Transactions

Clients are advised that any redemptions and exchanges between mutual funds and other securities transactions in their account will have tax consequences, which clients should discuss with their independent tax advisor. IFG is not an accounting firm and does not provide tax advice, although some IFG IARs may also be CPAs and provide such advice under their separate businesses, as described in their individual Form ADV Part 2B disclosure brochure supplement.

## Assignment

Neither IFG nor the client may assign the client's Investment Advisory Client Services Agreement to another advisor without obtaining consent of the other party. Neither IFG nor the client may assign the client's Investment Advisory Client Services Agreement to another IAR without notifying the other party(ies) in writing (electronic notification is acceptable).

## Verification and Reliance on Client's Information

In performing its services, IFG and IAR shall not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and are expressly authorized to rely on such information.

## SMART Portfolios

SMART Portfolios are Adviser created and maintained model portfolios comprised of specific mutual funds from a select group of mutual fund families. Adviser receives revenue sharing payments from all funds that participate in the SMART Portfolios. A conflict of interest exists because the payment of this additional compensation by these product sponsors poses a financial incentive to promote SMART Portfolios over other products from which Adviser does not receive revenue sharing payments. These revenue sharing payments are retained by Adviser and not paid to IAR and, therefore, Adviser does not believe that these arrangements compromise the duty and service the IAR owes and provides to the client. IAR is under no obligation to utilize Adviser's SMART Portfolios. IFG no longer receives revenue sharing from open end funds in SMART Portfolios.

## ITEM 6 – PERFORMANCE FEES

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Adviser does not charge performance-based fees or fees based on capital gains or capital appreciation of client assets; however, some third-party managers may charge performance based fees as part of their programs.

## ITEM 7 – TYPES OF CLIENTS

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Adviser through its IARs provides investment advisory services to individuals, high net worth individuals, trusts, business owners, corporations, and corporate pension and profit-sharing plans.

**Account Minimums** - Adviser has established the following account minimums. If the account value falls below the stated minimum, the Adviser may require the deposit of additional funds/securities or terminate the Program account.

- **AP Client, CAM Client (Design II), Adviser Plus and Adviser Plus II (Adviser Plus and Adviser Plus II are currently closed to new business with limited exceptions):** The minimum account value for these Programs is \$50,000 however IAR may choose to lower this minimum for certain clients in house-holding situations (not applicable to AP Client).
- **CAM Client TD (Freedom One TD) and CAM Client Schwab (Freedom One Schwab):** The minimum account value for these Programs is \$50,000; however, IAR may choose to lower this minimum to \$5,000 for certain clients in house-holding situations.
- **Annuity Direct Advisory:** The minimum account value for these Programs is \$25,000; however, IAR may choose to lower this minimum to \$5,000 for certain clients in house-holding situations as long as the annuity allows for a lower minimum.
- **Third Party Asset Manager Programs:** The minimum account value for these Programs is determined by the third-party asset manager and may be negotiable depending on the program.
- **RPS - Retirement Plan Services** are available to clients that are sponsors or other fiduciaries to plans, including 401(k), 457(b), 403(b) and 401(a) plans. Plans include participant-directed defined contribution plans and defined benefit plans. Plans may or may not be subject to ERISA. IFG does not require a minimum asset amount for Retirement Plan Services.
- If an account is maintained below the minimums, a flat fee is assessed. This fee will be higher than the minimums listed as a percentage.



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

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Investment strategies will be selected based on client needs. IAR may utilize strategies such as asset allocation, trend analysis, fundamental analysis, technical analysis or economic indicators. Each IAR may have their own strategies therefore clients should discuss their objectives with IAR thoroughly. No assumption can be made that any particular strategy will provide better returns than other investment strategies. Investing in securities involves the risk of loss that client should be prepared to bear.

Before participating in any Program or investing in any specific asset class, client should discuss their tolerance for risk with IAR and carefully consider the risks associated with the investment(s) by reviewing, as applicable, the prospectus(es), offering memorandum(s) or disclosure brochure(s). All investment decisions involve risk, or the possibility that the investment will lose value. The following describes common characteristics of risk associated with specific types of investments that may be recommended:

- **Mutual Funds:** Each mutual fund has different risks and rewards. Generally, the more aggressive the fund or the fund category, the higher the risk of loss. Investors may have to pay taxes on capital gains distributions received even if the fund goes on to perform poorly after the investor bought shares.
- **Money Market Funds:** Although Money Market Funds have relatively low risk, losses are possible.
- **Fixed Income Securities:** Fixed income investments are generally more conservative than individual stocks; however, clients should be aware that bonds and bond funds carry the risk that you will lose principal.
- **Stocks:** Investment that represents an ownership share in a company. The value of individual stocks may rise and fall daily. There is a strong possibility of loss of principal. Stocks are not guaranteed against loss.
- **Closed-end Mutual Funds:** While similar in some ways to Mutual Funds above, closed-end funds trade intra-day and are priced by the market. This is similar to how stocks are priced. In addition to intra-day liquidity/pricing, closed-end funds carry similar risks to open end mutual funds.
- **ETFs:** Exchange-Traded Funds like stocks carry a significant amount of market risk. ETFs can be traded at any time during trading hours, like a stock. Investing in an ETFs involves volatility and risk of loss that client should be able to withstand.
- **Leveraged ETFs:** Leveraged ETFs, sometimes labeled as “ultra,” “2x” or “3x”, seek to deliver multiples of the performance of the index or benchmark they track. To achieve a return that is a multiple of index or benchmark, the underlying investment includes derivatives that creates additional volatility and are very risky. Most leveraged ETFs “reset” daily, meaning that they are designed to achieve their stated objectives for the day and on a daily basis. Their performance over longer periods of time (over weeks or months or years) will likely differ significantly from the performance of their underlying index or benchmark during the same period. Like all other products that use leverage, losses are magnified when compared to investments that do not use leverage.
- **Leveraged Inverse ETFs:** Leveraged Inverse ETFs, sometimes labeled as “ultra-short,” “2x” or “3x”, seek to deliver multiples of the inverse performance of the index or benchmark they track. To achieve a return that is an inverse multiple of an index or benchmark, the underlying investment includes derivatives that create additional volatility and risk. Most leveraged inverse ETFs “reset” daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time (over weeks or months or years) will likely differ significantly from the performance of their underlying index or benchmark during the same period of time. This effect can magnify losses.
- **ETNs:** Exchange Traded Notes (ETNs) are senior, unsecured debt securities issued by an underwriting bank. Like other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer, they do not however pay interest. ETNs are designed to provide investors access to the returns of various market benchmarks. The returns of ETNs are usually linked to the performance of a market benchmark or strategy, less fees. When a client buys an ETN, the underwriting bank promises to pay the amount reflected in the index upon maturity, minus fees. It is possible that there will be few if any assets backing the ETN. Due to their risk and the regulatory environment, IFG severely restricts most accounts from holding or buying ETNs
- **Unit Investment Trusts:** an investment company that offers a fixed portfolio, generally of stocks and bonds, as redeemable units to investors for a specific period and are generally designed to provide capital appreciation and/or income. UITs can vary in their investment strategies, risk profiles, performance, and management fees. The risks of UITs are directly related to the underlying holdings. **Structured**
- **Products:** Structured products are securities derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance and/or a foreign currency. Structured products have a fixed maturity, but typically contain two components – a note and a derivative (which may be an option). Structured products are issued by financial institutions, such as investment banks, and are senior to the unsecured debt of the issuing institution. As such, structured products are subject to the credit worthiness of the issuer even if they are structured to offer principal protection, and any payments due at maturity are dependent on the issuer’s ability to make payment. There is little or no secondary market for structured products and information regarding market pricing for the securities is limited even if the product has a ticker symbol or has been listed on an exchange. In addition to credit risk, other risks of investing in structured products include, but are not limited to, principal risk, liquidity risk, limitations on upside participation, and the tax treatment may be different from other investments in a Program account.
- **Alternative Investments/DPPs/Private Placements:** Direct participation programs typically include limited partnerships, LLCs, and Delaware Statutory Trust (DSTs) which benefit the investor based on their partial tax shelter. However, these programs also have significant risks associated with them. Direct Participation Programs rely upon the general partner to manage the investment. This type of program is often a blind pool because the investment may not be specifically identified, and as a result you cannot evaluate the risks of, or potential returns from, the investment. DPPs are highly illiquid and there is no guarantee of a secondary market for the investment. All or a substantial portion of the distributions from this type of investment may be a return of capital and not a return on capital, which will not necessarily be indicative of performance. DPPs are speculative investments which could result in the loss of the client’s entire investment.
- **Interval Funds:** Interval funds are closed-end funds with varying investment strategies and investment objectives that may not give investors the right to redeem shares and a secondary market may not exist. While the fund may provide limited liquidity to shareholders by offering to repurchase a limited number of shares on a periodic basis, there is no guarantee that clients will be able to sell their shares even if there is a repurchase offer. Also, the offer to repurchase shares may be suspended or postponed by the investment sponsor. An investment in an interval fund involves a considerable risk of loss of principal.

- **Options:** Certain types of options strategies (such as selling covered calls or purchasing puts) are allowed in Program accounts as a way to generate income or hedge existing positions. The use of options involves additional risks including the potential for the market to rise significantly, making your put options worthless and having a security called away (covered call writing) or the loss of the premium paid for the purchase of the option. Options are high risk investments that are not suitable for all clients. For this reason, IFG severely restricts the use of options in advisory accounts.
- **Stable Value Funds:** a conservative fund investment option available only to participants in defined contribution plans, such as 401(k)s. Generally comprised of a portfolio of short and intermediate term bonds that is insured by a bank or insurance company for loss of capital or interest. The primary risks associated with stable value funds is the financial stability of the insurer (ability to guarantee the principal and interest) and inflation risk.
- **Guaranteed Investment Contracts (GIC):** An agreement with an insurance company where the insurance company provides a guaranteed rate of return in exchange for keeping a deposit for a certain period. The primary risk associated with GICs is the insurance company's ability to guarantee the principal and interest.

All investments and investment programs have certain risks that are associated with them and which the investor must bear. Following are the types of risk that may arise due to the types of investments that are recommended to or purchased for clients or the investment strategies used:

- **Business Risk:** the risk that the price of an investment will change due to factors unique to that company, investment or market segment and not the market in general.
- **Liquidity Risk:** the risk associated with the ease of being able to quickly convert the value of a security into an equivalent amount of cash. For example, money market funds are readily convertible (liquid) while certain limited partnership units or other investments are not.
- **Financial Risk:** the risk to a company's future earnings due to their use of debt. Companies that borrow money must pay it back at some future date, plus the interest charges. This increases the uncertainty about the company because it must have enough income to pay back this amount at some time in the future.
- **Exchange Rate (Currency) Risk:** the risk that investors in foreign investments may be subject to different exchange rates at the time they wish to convert investment proceeds back to their home currency. If exchange rate risk is high, even though substantial profits may have been made in the foreign markets, a less favorable exchange rate may reduce or eliminate these profits.
- **Country (Political) Risk:** the risk that a major change in the political or economic environment of a foreign country may devalue investments made in that country. This risk is usually restricted to emerging or developing countries that do not have stable economic or political environments.
- **Market Risk:** the risk that the price of a particular investment will change as a result of overall market conditions that are not specific to that particular company or investment.
- **Interest Rate Risk:** the risk that interest rate changes will affect the price of a particular investment. For example, when interest rates rise, the price of bonds generally fall.
- **Inflation Risk:** the risk that inflation would exceed the return on an investment. For example, if inflation was 4% and an investment returned 2%, the investor would lose 2% in purchasing power.

The specific risks associated with third-party investment manager programs are disclosed in their respective disclosure brochures.

## **RPS – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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### **Methods of Analysis and Sources of Information**

If Plan Sponsors elect to engage an IAR to provide ongoing investment recommendations for a Plan, IAR may conduct analysis of mutual funds, exchange-traded funds ("ETFs"), collective investment trusts, annuity subaccounts and other securities using a technical/quantitative and/or fundamental/qualitative approach. The sources of information that an IAR may use to provide advice to Plans, include but are not limited to, research conducted by the IAR, research prepared and published by third parties, statistical and/or analytical industry databases, financial newspapers and magazines, and vendor or company press releases. In recommending specific funds, IARs may consider ratings and recommendations provided by third-party sources, fund availability, the fund's expense ratio, investment style, past performance, and an evaluation of the fund's management.

### **Pension Consulting Services**

The trustees or other fiduciaries of a Plan may choose to select several different types of securities to make available to the participants, including mutual funds, collective investment trusts, ETFs, annuity subaccounts or other securities. Each different type of security carries with it risks that are inherent in that specific type of security. Mutual funds, collective investment funds, ETFs and subaccounts may also invest in varying types of securities which carry these risks. Investing in securities involves the risk of loss that investors should be prepared to bear.

### **Investment Management Services**

Investment strategies will be selected based on client needs. IAR may utilize strategies such as asset allocation, trend analysis, fundamental analysis, technical analysis or economic indicators. Each IAR may have their own strategies, therefore a client should discuss his/her objectives with IAR thoroughly. No assumption can be made that any particular strategy will provide better returns than other investment strategies. Investing in securities involves the risk of loss that clients should be prepared to bear.

Before participating in any Program or investing in any specific asset class, client should discuss their tolerance for risk with IAR and carefully consider the risks associated with the investment by reviewing, as applicable, the prospectus, offering memorandum or disclosure brochure. All investment decisions involve risk including the potential loss of principal.

## **Investment Model Services – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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### **Methods of Analysis and Sources of Information**

The model portfolio construction process has four main components which include a strategic asset allocation framework, investment manager research, portfolio construction and implementation and ongoing monitoring. Below please find more detail on each component.

**Strategic Asset Allocation Framework:** The portfolio construction process starts off with a build out of each model's long-term asset class mix. This strategic asset allocation framework utilizes long-term return, risk and correlation asset class forecasts which are commonly referred to as capital market assumptions (CMAs). An optimization on these CMAs is conducted to build a globally diversified asset mix that aims to achieve the highest expected return for each level of risk. This strategic asset allocation process builds out the asset class mix for each model portfolio. Once the asset class mix has been identified, IFG begins the process of researching underlying investment managers and investment vehicles for exposure to each asset class.

**Investment Manager Research:** The first step in the evaluation of investment managers is to utilize an initial screening criterion to help narrow down the universe. The quantitative screening process utilizes a scoring system that ranks the universe of managers on a wide range of data points which includes expenses, portfolio manager tenure, returns, volatility, risk-adjusted returns, return-capture profiles, and downside risks. After a narrowed-down list of managers is identified, IFG begins analyzing each manager's historical track record with a focus on the manager's ability to consistently generate positive excess returns and risk-adjusted returns over rolling periods. Rather than focusing on a single point in time, the process looks back over rolling periods to identify managers that have consistently outperformed throughout time. The investment managers who pass these two stages are then reviewed on a qualitative and further quantitative basis. The qualitative review is focused on understanding the manager's investment philosophy, process, and investment style. The quantitative analysis looks to confirm the qualitative take-aways. These managers are then reviewed under various stress scenarios such as periods of rising interest rates or significant equity market declines to gain further insight into their return profile.

**Portfolio Construction & Implementation:** The model portfolios utilize a multi-manager and hybrid investment strategy which includes both passive and active investment vehicles. Preference may be given to passive investment strategies (i.e., passive exchange traded funds) in certain asset classes where IFG believes it may be difficult for investment managers to consistently outperform their benchmark. In other asset classes, active investment strategies may be preferred. In asset classes where active management is preferred, IFG will utilize the managers who were identified in the previous investment manager research step. Once a manager has been identified for inclusion, IFG will assess how well the investment manager fits within the overall portfolio. This includes an analysis of the manager's correlation of returns and correlation of excess returns with the other components of the portfolio. Once investment managers and their respective vehicles have been identified for each asset class, IFG conducts historical return analytics and stress tests on the overall portfolio to gain insight into the ability of the portfolio to meet its stated objective.

**Ongoing Monitoring:** The model portfolios are monitored on an ongoing basis. The overall portfolio and underlying investment managers are continually reviewed to determine whether the portfolio is meeting its stated objective. Performance reviews, attribution analysis, quarterly commentary from the investment managers and meetings with the investment teams are used to provide further details on investment results. The goal is to determine if the model portfolio is meeting its stated investment objective.

Investing involves risk, including possible loss of principal and/or the risk that the portfolio will not perform as intended. Asset allocation, diversification and investment selection may help reduce but will not protect against market risk, loss of principal or the volatility of returns. Two of the most significant risks of fixed-income investing are interest rate risk and credit risk. Interest rate risk refers to when interest rates rise, and corresponding bond prices fall. Credit risk refers to the possibility that the bond issuer may default on their interest or principal payments. The strategy may also invest in non-investment-grade bond securities (high yield) which may be subject to greater default risk and volatility of returns. Past performance is not indicative of future results.

International equity investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are increased for investments in emerging markets. Small-capitalization equity investments may have a higher degree of volatility than their larger-capitalization counterparts. Derivatives entail risks relating to liquidity, leverage and credit that may reduce returns and increase volatility.

### **ITEM 9 – DISCIPLINARY ACTION**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to clients' or prospective clients' evaluation and/or selection of an investment adviser.

In 2018, IFG self-reported an issue related to its disclosure regarding the receipt of 12b-1 fees for mutual fund shares purchased for advisory accounts where a lower cost share class of the same fund was available, creating a potential conflict of interest. The SEC determined that IFG's disclosure did not sufficiently clarify the conflict of interest when a firm and its representatives receive 12b-1 fees from a mutual fund company. Without admitting or denying fault, IFG consented to a cease and desist, censure, and disgorgement. The agreed to amount of disgorgement to affected investors is \$1,250,386.58 and interest of \$175,764.06. The Firm has amended its policies concerning the receipt of 12b-1 fees so that it does not receive 12b-1 fees on advisory accounts.

### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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Adviser's principal business is a dual service general securities broker-dealer and Registered Investment Advisor (Independent Financial Group, LLC). IFG also engages in business as an insurance broker.

Typically, Adviser's IARs are also registered representatives of IFG and receive commissions if clients choose to implement recommendations

through the broker-dealer. If client chooses to make such purchases through IFG the broker dealer, this will present a conflict of interest to the extent the IAR recommended products and services through IFG in lieu of another financial institution. No investment advisory client is obligated to implement commissionable transactions through IFG as a broker-dealer and may utilize the broker-dealer of their choice.

Certain registered representatives of IFG also provide advisory services independently of IFG through a separate, unaffiliated Registered Investment Adviser (RIA). Some of IFG's affiliated representatives may act as an investment advisor representative of both IFG and a separate, outside unaffiliated RIA.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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Adviser has adopted a Code of Ethics that is designed to comply with the Investment Advisers Act of 1940, SEC Rule 204A-1 and federal securities laws. The Code of Ethics requires certain covered persons, including IARs, to adhere to the highest business standards and conduct their affairs with integrity and competence when dealing with the public, clients, prospects and their employees. The Code of Ethics outlines acceptable and unacceptable activities for IARs. The Code of Ethics also requires IARs to report personal securities transactions to the Adviser on a quarterly basis and contains guidelines for how client transactions must be given preference over personal transactions. A copy of the Code of Ethics is available to clients and prospects upon request.

Adviser and IAR may invest in, or otherwise own, an interest in the same investments that are recommended to clients within Program accounts. In certain circumstances this creates a conflict of interest. When making personal investments, an IAR is required to place the interest of a client ahead of their own. Personal trading by IAR is monitored by the Adviser. IAR's personal investment considerations are not always aligned with client investment considerations; therefore, an IAR may buy or sell a specific security for their own account which the IAR does not deem appropriate to buy or sell for a client.

Adviser and IAR may perform advisory and brokerage services for certain clients that differ in timing and nature from the advice given and/or services provided to other clients.

Adviser does not make a market in any securities. In general, no principal transactions with Adviser shall be transacted in the accounts. No agency-cross transactions as such term is defined in Advisers Act Rule 206(3)-2(b) will be executed by Adviser for Program accounts.

## **ITEM 12 – BROKERAGE PRACTICES**

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### **Broker Selection in Investment Management Services**

As disclosed in Item 4 above, Adviser is also a broker/dealer and member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investors Protection Corporation (SIPC). As such, Adviser has certain recordkeeping and supervisory responsibilities under FINRA rules when its affiliated representatives provide investment management services and engage in securities transactions on behalf of investment advisory clients. As a result, Adviser has other approved broker-dealers and custodians (Broker/Custodians) that an IAR must select from. Adviser generally requires an IAR to recommend Pershing LLC (Pershing), a subsidiary of The Bank of New York Mellon. Pershing is also the clearing firm for Adviser when Adviser is acting in the role of fully disclosed introducing broker to investment management clients. However, depending on criteria established by the Firm, the Firm may permit an IAR to use one or more other Broker/Custodians.

Adviser requires clients who wish to use Adviser's investment management services to use an approved Broker/Custodian. The approved Broker/Custodians currently includes (1) Pershing (as discussed above), (2) Schwab Advisor Services (SAS), a division of Charles Schwab & Co., Inc. (Schwab), member FINRA/SIPC and (3) TD Ameritrade Institutional, a division of TD Ameritrade, Inc. (TDA), member FINRA/SIPC.

In no case will Adviser or an IAR have discretionary authority to change the Broker/Custodians for custodial and/or execution services. All Broker/Custodian selections must be explicitly disclosed to, and authorized by, the client.

Client should be aware of the following important facts regarding the exclusive use of Broker/Custodians:

- Not all investment advisors require clients to use specified Broker/Custodians.
- The limitation on the choice of Broker/Custodians may affect Adviser's ability to achieve most favorable execution of client transactions, and therefore may cost clients more money; and
- Clients should consider whether the limitation on the appointment of IFG as the broker-dealer and Adviser's clearing relationship with Pershing or any other Broker/Custodians listed above results in certain costs or disadvantages to the client as a result of less favorable executions. Adviser carefully considers Broker/Custodian's ability to execute, clear and settle transactions on behalf of clients. While Adviser attempts to obtain the best execution possible, there is no assurance that best execution will be obtained.

### **Brokerage Services Outside of Investment Management Services**

If client elects to engage an affiliated registered representative of IFG to provide brokerage services for separate business, then IFG and that individual will receive brokerage-related compensation for those services, such as commissions and/or trail fees. Information regarding such brokerage compensation is available on IFG's website at [www.ifgsd.com](http://www.ifgsd.com). Client is under no obligation to transact any recommendation through IFG. Client should understand that the investment products, securities, and services that an IAR may recommend as part of a financial plan or consulting service are available at broker-dealers, investment advisors, directly through the issuer or sponsor or through other investment firms not affiliated with IFG.

### **Recommendation of Brokers**

The Broker/Custodian that IAR recommends generally do not charge separately for custody services; they are compensated by charging commissions or other fees on trades that they execute on a client's behalf or that settle into a Program account.

Except for the wrap fee program through Pershing, the brokerage commissions and/or transaction fees charged by any Broker/Custodian are exclusive of, and in addition to, Adviser's and IAR's fees. Please see the IFG Wrap Fee Brochure for information concerning the IFG wrap fee services.

A client should evaluate any recommended Broker/Custodian before opening a Program account. The factors considered by an IAR when making brokerage and/or custodial recommendations include that firm's ability to provide professional services, experience with the firm, the firm's reputation, the firm's quality of execution services and costs of such services, financial strength, research, and the availability of and access to independent managers, among other factors. Broker/Custodians provide access to many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Broker/Custodians may be higher or lower than those charged by other broker-dealers.

#### **Products and Services Available to IFG from Broker/Custodians**

The available Broker/Custodians provide the client and IAR with access to their institutional brokerage, trading, custody, reporting, and related services, many of which are not available to their retail customers. They also make available various support services to the IAR. Some of those services help the IAR manage or administer client's account, while others help the IAR manage and grow their business. Some of the products, services and other benefits provided by Broker/Custodians benefit IFG and IAR and may not benefit client or client's account. An IAR's recommendation/requirement that you place assets with one of these Broker/Custodians may be based in part on benefits they provide IFG and/or IAR, and not solely on the nature, cost or quality of custody and execution services provided by the Broker/Custodian, which is a conflict of interest. As part of their fiduciary duty, Adviser and IAR endeavor at all times to put the interests of clients first.

#### **Services that Benefit Client**

The Broker/Custodian's services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The available investment products include some which IFG and/or IAR might not otherwise have access to or that would require a significantly higher minimum initial investment by clients. These services generally benefit client and client's account.

#### **Services that May Not Directly Benefit Client**

The Broker/Custodians make other products and services that benefit IFG and/or IAR available; these may not benefit client's account in every instance. Some of these other products and services assist IAR in managing and administering client's account. These include software and technology that provide access to client account data (such as trade confirmations and account statements), facilitating trade execution and allocation of aggregated trade orders for multiple client accounts, providing research, pricing information and other market data, facilitating payment of fees from client's Program account, and assisting with back-office functions, recordkeeping, reporting and supervision. Many of these services generally may be used to service all or a substantial number of accounts.

#### **Services that Generally Benefit Only Adviser and IAR**

The Broker/Custodians also make available to Adviser other services intended to help Adviser and IAR manage and further develop our business enterprises. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, the Broker/Custodians may make available, arrange and/or pay for these services rendered to us by third parties. The Broker/Custodians may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services. The Broker/Custodians may also provide Adviser and/or IAR with other benefits such as occasional business entertainment of personnel. Please see "Additional Compensation and Economic Benefits from Pershing" in Item 5 above for additional information concerning the compensation and benefits the Firm receives from Pershing.

#### **Additional Important Information**

If you decide to implement advisory/consulting services through an IFG approved advisory program or service, at the time of engagement, IAR will provide you this Brochure, an Investment Advisory Client Services Agreement or Third Party Money Manager (TPMM) Agreement, and other account-related paperwork that contains specific terms and conditions about the relationship of the parties and additional information about fees and compensation that the IAR and Adviser will receive in connection with that program. For TPAMs, client will also receive information regarding the TPAMs fees and associated costs.

Client may be able to obtain lower commissions and fees from other firms or through other programs offered by those firms but not made available to IFG or through IAR. The value of products, research and services given to Adviser and IAR by Broker/Custodians is not a factor in determining the selection of a broker/dealer or the reasonableness of their commissions. IAR places trades for your account subject to a duty to seek best execution and other fiduciary duties. The Broker/Custodian's execution quality may be different than other broker-dealers. IFG believes that offering Pershing, Schwab and TD Ameritrade as qualified custodians is in the best interest of the client. It is primarily supported by the overall scope, quality and price of Pershing's, Schwab's, and TD Ameritrade's services and not the services that benefit only IFG and/or IAR.

As part of their fiduciary duty to a client, Adviser and IAR endeavor to put the interests of the client first. Client should be aware, however, that the receipt of economic benefits by Adviser or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the recommendation of a Broker/Custodians for custody and brokerage services.

The receipt of these services provides IFG and/or IAR an incentive to continue to use or expand the use of a particular Broker/Custodian's services. Receipt of general program and platform services does not diminish the Firm's duty to act in the best interest of its clients, including the duty to seek best execution of trades for client Program accounts. IFG examined this potential conflict of interest when it chose to enter into the relationship with each Broker/Custodian and it has determined that the relationship is in the best interest of clients and satisfies its client obligations.

The aforementioned research and brokerage services provided by Broker/Custodians are used by Firm and/or IAR to manage accounts. Without

this arrangement, Firm and/or IAR might be compelled to purchase the same or similar services at their own respective expense.

In connection with the provision of Third-Party Asset Manager services, the choice of custodian will be limited to those choices offered by the Third Party Asset Manager.

#### **RPS - Broker Selection in Pension Consulting Services**

With respect to its Retirement Plan Services, and when appropriate based on the needs of each plan, the IAR may also recommend that a Plan use a certain retirement plan platform or service provider (such as a recordkeeper, administrator or broker-dealer). Client must evaluate all such recommendations and is responsible for the final selection of retirement plan platform or service provider.

#### **RPS - Broker Selection in Investment Management Services**

As disclosed in Item 4 above, Adviser is also a broker/dealer and member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). As such, Adviser has certain recordkeeping and supervisory responsibilities under FINRA rules when its affiliated representatives provide investment management services and engage in securities transactions on behalf of clients, including Retirement Plan Services clients. As a result, Adviser has approved broker-dealers and custodians (Broker/Custodians) that IARs must select from. Adviser generally requires the IAR to recommend Pershing LLC (Pershing), a subsidiary of The Bank of New York Mellon. Pershing is also the clearing firm for Adviser when Adviser is acting in the role of fully disclosed introducing broker to investment management clients. However, depending on criteria established by the Firm, the Firm may permit IAR to use one or more other Broker/Custodians. When Pershing is used as the custodian for Retirement Plan Services clients, the arrangement will be a wrap fee arrangement. Please see IFG's Form ADV Part 2A, Appendix 1 (Wrap Fee Brochure) for complete information concerning wrap fee arrangements through Pershing.

Adviser requires clients who wish to use Adviser's investment management services to use an approved Broker/Custodian for brokerage and custody services. This currently includes (1) Pershing (as discussed above), (2) Schwab Advisor Services (SAS), a division of Charles Schwab & Co., Inc. (Schwab), member FINRA/SIPC and (3) TD Ameritrade Institutional, a division of TD Ameritrade, Inc. (TDA), member FINRA/SIPC.

In no case will Adviser or IAR have discretionary authority to select the Broker/Custodian. All Broker/Custodian selections must be explicitly explained to and authorized by the client.

Client should be aware of the following important facts regarding the approved Broker/Custodians:

- Not all investment advisors require clients to use specified Broker/Custodians.
- The limitation on the choice of Broker/Custodians may affect Adviser's ability to achieve most favorable execution of client transactions, and therefore may cost clients more money; and
- Clients should consider whether the limitation on the appointment of IFG as the broker-dealer and Adviser's clearing relationship with Pershing or any other Broker/Custodians on Adviser's Approved List results in certain costs or disadvantages to the client as a result of possibly less favorable executions. Adviser carefully considers all Approved List Broker/Custodians' abilities to execute, clear and settle transactions on behalf of clients. While Adviser attempts to obtain the best execution possible, there is no assurance that best execution will be obtained.

#### **RPS - Brokerage Services Outside of Investment Advisory Retirement Plan Services**

If the Plan Sponsor elects to engage an affiliated registered representative of IFG to provide brokerage services for separate business, then IFG and IAR will receive brokerage-related compensation for those services, such as commissions and/or trail fees. Information regarding such brokerage compensation is available on IFG's website at [www.ifgsd.com](http://www.ifgsd.com). Plan Sponsors are under no obligation to implement a recommendation through IFG. Plan Sponsors should understand that the investment products, securities, and services that an IAR may recommend as part of a retirement plan consulting service are available to be purchased through broker-dealers, directly through the investment program or sponsor or through investment advisors or other investment firms not affiliated with IFG.

#### **RPS - Additional Important Information**

If the Plan Sponsor decides to implement advisory/consulting services through an IFG approved advisory program or service, the IAR will provide Plan Sponsor at the time of engagement this Brochure, Retirement Plan Services agreement and other account-related paperwork that contains specific information about fees and compensation that the IAR and Adviser will receive in connection with that program. For third-party asset manager programs, client will also receive information regarding the third-party asset manager's fees and associated costs.

Client may be able to obtain lower commissions and fees from firms other than those approved by Adviser, or through other programs offered by those firms but not made available to IFG. The value of products, research and services given to Adviser and IAR by Broker/Custodians is not a factor in determining the selection of a broker/dealer or the reasonableness of their commissions. IAR places trades for client's account subject to a duty to seek best execution and other fiduciary duties. The Broker/Custodian's execution quality may be different than other broker-dealers. IFG believes that offering Pershing, Schwab and TD Ameritrade as qualified custodians is in the best interest of clients. It is primarily supported by the overall scope, quality and price of Pershing's, Schwab's, and TD Ameritrade's services and not the services that benefit only IFG and/or IAR.

As part of their fiduciary duty to clients, Adviser and IAR endeavor at all times to put the interest of the client first. Client should be aware, however, that the receipt of economic benefits by Adviser, IAR or their associated persons in and of itself creates a potential conflict of interest and may indirectly influence the recommendation of a Broker/Custodian for custody and brokerage services.

The receipt of these services provides IFG and/or IAR an incentive to continue to use or expand the use of a particular Broker/Custodian's services. Receipt of general program and platform services does not diminish the Firm's duty to act in the best interest of a client, including the duty to seek best execution of trades for client accounts. Firm examined this potential conflict of interest when it chose to enter into the

relationship with each approved Broker/Custodian and it has determined that the relationship is in the best interest of the client and satisfies its client obligations.

The aforementioned research and brokerage services provided by Broker/Custodians are used by Firm and/or IAR to manage accounts. Without this arrangement, Firm and/or IAR might be compelled to purchase the same or similar services at their own respective expense.

In connection with the provision of third-party asset manager services, the choice of custodian will be limited to those choices offered by the third-party asset manager.

#### **Trade Aggregation, Allocation or Block Trades**

Adviser may aggregate transactions for a client with other clients where possible and advantageous for clients. When trades are aggregated, the actual prices applicable to the aggregated trades will be averaged, and the client's account will be deemed to have purchased or sold its proportionate share of the securities at the average price obtained. For orders that are only partially filled, Adviser will allocate trades pro-rata or on some other basis consistent with the goal of treating all clients fairly over time.

#### **Principal Trades**

In limited circumstances, and in compliance with the Investment Adviser's Act of 1940, Section 206(3) and the Rules thereunder (collectively, the "Act"), we execute transactions, as such term/activities is/are described in the Act, on a principal basis.

A principal transaction occurs when the Firm's purchase for the client is taken into inventory before being credited to the client account.

When the Firm transacts a principal trade, in order to be in compliance with SEC guidelines, the Firm (including representatives of the Firm) will notify the client prior to settlement of the transaction that it acted in a principal capacity. The Firm monitors trading for principal trades and for disclosure of proper capacity to the client. The monitoring includes but is not limited to a review of pricing, trade volume, suitability, that there is no mark-up or mark-down on the transaction as a way to analyze the transaction to confirm it meets a fiduciary standard.

### **ITEM 13 – REVIEW OF ACCOUNTS**

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IAR is primarily responsible for reviewing client advisory accounts and doing so on an intermittent or periodic (monthly, quarterly, etc.) basis. Triggering events may include responses to client requests, market events or specific target dates.

Client will receive trade confirmations and periodic account statements from the applicable custodian or program sponsor. IAR may also provide additional reporting services to client. Client is encouraged to review and compare the account information (e.g., market values, transactions, and advisory fees) in any such reports and additional IAR reporting to the account statements received from the custodian.

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

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Adviser does not pay direct or indirect compensation to any persons for client referrals. IAR, however, frequently pays Promoter referral fees to qualified Promoters. As defined above, a Promoter is an entity or person who provides an endorsement for compensation.

#### **RPS - Additional Benefits and Compensation Received from Product Sponsors and Other Third-Parties**

While not necessarily related to the Retirement Plan Services, various vendors, product providers, distributors and others provide IFG with monetary and non-monetary compensation as further described below. If applicable, and in the event the payments are received in connection with or as a result of the Retirement Plan Services, such fees will be disclosed to Plan Sponsors in accordance with ERISA and Department of Labor regulations.

#### **Additional Benefits and Compensation Received from Product Sponsors**

##### **Benefits from Sponsor Companies**

Through its IARs, IFG provides access to a broad selection of securities products and investment programs, including mutual funds, variable insurance products, College 529 Savings Plans, direct participation programs and non-traded alternative investments and access to third party money managers (collectively, "Sponsor Companies"). Many Sponsor Companies engage in activities designed to promote their products and services to IFG and IARs, including paying for travel, meals, and lodging expenses for IARs to attend educational programs and due diligence meetings that help IARs be more knowledgeable about the Sponsor Companies' products, operations, and management. Sponsor Companies may also provide additional forms of non-cash compensation to IARs relating to the sale and distribution of their products, including merchandise, gifts, prizes and entertainment such as tickets to sporting events and leisure activities, as well as payment or reimbursement for the costs of business development expenses, client seminars, client appreciation events, software, and marketing materials designed to help promote the IARs' business. If clients attend a training or education meeting or event promoted by an IAR and a Sponsor Company is present, clients should assume that the sponsor has paid for some or all of the costs of the meeting or event.

##### **Additional Compensation from Sponsor Companies**

IFG generally receives extra compensation from Sponsor Companies for providing ongoing due diligence, operational oversight and marketing and education opportunities. IARs do not directly receive this compensation. This additional compensation paid to IFG by Sponsor Companies is in addition to the charges and other fees described in the applicable prospectuses and varies between Sponsor Companies and over time. The payments may be based on a negotiated fixed annual fee, a fee based on a percentage of the total purchase amount, total assets held by IFG clients in their product or the greater of a flat fee or amount based on assets and/or new sales.

A conflict of interest exists in these Sponsor Company revenue sharing arrangements in that we are paid more revenue-sharing fees if you purchase one type of product instead of another and/or purchase a product from one sponsor instead of another. Your IAR also indirectly benefits from Sponsor Company payments when we use the money to support costs relating to product review, marketing, or training. However, a conflict of interest exists because the payment of this additional compensation by these product sponsors poses a financial incentive to IFG to promote certain products over other products. Even so, IFG does not believe that these arrangements compromise the duty and service the IAR owes and provides to the client as these fees are retained by IFG and are not paid to IAR.

#### **Additional Compensation from Strategic Partners**

In addition to the above-referenced benefits that Sponsor Companies provide directly to IARs, certain of these companies (Strategic Partners) pay extra compensation to IFG in return for providing them with additional opportunities to make their products available in our programs and services. This additional compensation paid to IFG by Strategic Partners is in addition to the charges and other fees described in the applicable prospectuses and varies between Strategic Partners and over time. This additional compensation is in the form of annual payments directly from these companies' assets and revenues. The payments may be based on a negotiated fixed annual fee, a fee based on a percentage of the total purchase amount, total assets held by IFG clients in their product or the greater of a flat fee or amount based on assets and/or new sales.

A conflict of interest exists in these Strategic Partner revenue sharing arrangements in that IFG is paid more revenue-sharing fees if you purchase one type of product instead of another and/or purchase a product from one sponsor instead of another. Your IAR also indirectly benefits from Strategic Partner payments when IFG uses the money to support costs relating to product review, marketing, or training. Additionally, the financial support, participation in due diligence meetings and educational activities, and gifts and entertainment received by IARs creates a conflict of interest for IARs as they incentivize IARs to focus more on or otherwise recommend or promote the products of Product Sponsors that provide this compensation over those that do not. Such fees are paid from the Product Sponsors' revenues and assets. However, a conflict of interest exists because the payment of this additional compensation by these product sponsors poses a financial incentive to IFG to promote certain products over other products, participation as a Strategic Partner provides a greater opportunity than non-Strategic Partners to market and educate IARs on their investments and products and IFG provides Strategic Partners with additional opportunities to make their products available in programs or services offered by IFG. Even so, IFG does not believe that these arrangements compromise the duty and service the IAR owes and provides to the client as these fees are retained by IFG and are not paid to IAR.

**Please see the disclosure section of our website at: <http://ifgsd.com/disclosures/> for current information concerning these compensation arrangements, including participating companies and programs.**

#### **Additional Compensation from Retirement Strategic Partners**

In addition to the above-referenced Strategic Partner program, IFG has Strategic Partner relationships with certain Retirement Partners (Retirement Strategic Partners), including plan recordkeeping platforms as well as investment managers of mutual funds and the issuers of annuities. In compliance with the prohibited transaction requirements of ERISA, these firms pay extra compensation to IFG of a fixed dollar amount. Retirement Strategic Partners may also pay the Firm's expenses or provide non-cash items and services to facilitate training and educational meetings for IARs. None of these Retirement Strategic Partner payments depend on the amount of any plan's investment in any product or use of any Retirement Strategic Partners services.

A conflict of interest exists in these Retirement Strategic Partner compensation arrangements in that IFG directly benefits from these payments. Additionally, your IAR also indirectly benefits from these payments when we use the money to support costs relating to product review, marketing or training. Additionally, these payments create a conflict of interest for IARs as they incentivize IARs to focus more on or otherwise recommend or promote the products or services of Retirement Strategic Partners that provide this compensation over those that do not. Such fees are paid from the Retirement Strategic Partners revenues and assets. However, a conflict of interest exists because the participation as a Retirement Strategic Partner provides a greater opportunity than non-Strategic Partners to market and educate our IARs on products and services and IFG provides Retirement Strategic Partners with additional opportunities to make their products and services available in programs or services offered by IFG. Even so, IFG does not believe that these arrangements compromise the duty and service the IAR owes and provides to the client as these fees are retained by IFG and are not paid to IAR.

**Please see the disclosure section of our website at: <http://ifgsd.com/disclosures/> for current information concerning these arrangements, including participating companies and programs.**

**Please see Item 5 above for information concerning additional benefits and compensation received by IFG and/or IARs from Pershing in relation to accounts held at Pershing.**

**Please see Item 12 above for information concerning other benefits received from recommended custodial and brokerage firms relating to client accounts.**

## **ITEM 15 – CUSTODY**

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The Adviser is deemed to have custody of client funds or securities because it has the ability to direct the custodian to deduct advisory fees from the client's account and because some client accounts have a standing letter of authorization to transfer assets from the client account to a third-party.

Pershing acts as qualified custodian for AP Client, CAM Client (Design II) Adviser Plus, Adviser Plus II. In connection with its duties as custodian Pershing will provide clients a confirmation for each transaction and periodic custodial account statements. IAR may also provide additional reporting services to client. TD Ameritrade acts as qualified custodian for the CAM Client TD (Freedom-One TD) Program and Charles Schwab & Co. acts as qualified custodian for the CAM Client Schwab (Freedom-One Schwab) Program. TD and Schwab will provide clients with custodial account statements and confirmations for each transaction. If IAR provides additional reporting, clients are encouraged to review and compare the account information in the performance reports and additional IAR reports to the custodial statements.

RPS - When providing Retirement Plan Services described herein, we may exercise discretionary authority or control over the investments specified in the Agreement. We perform these services to ERISA plans as a fiduciary under ERISA Section 3(21) and investment manager under ERISA Section 3(38). We are legally required to act with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. This discretionary authority is specifically granted to us by Plan Sponsor, as specified in the Agreement (*see also, Item 4 above*). Services do not include advice regarding the interpretation of the Plan documents, the determination of participant eligibility, benefits, or vesting, and the approval of distributions to be made by the Plan.

Plan Sponsors who wish to utilize third-party advisers may be required by the third-party adviser to authorize the third-party adviser to exercise discretionary authority or control over their investments.

## **ITEM 16 – INVESTMENT DISCRETION**

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IARs may have the authority to manage investments on a discretionary or non-discretionary basis as set forth in the advisory agreement. Adviser and the IAR do not have the authority to withdraw client funds or securities.

Clients selecting TPAM programs may grant IAR and/or the TPAM discretionary authority to determine, the securities and/or number of securities to be bought or sold as set forth in the account agreement. A description of the limitations on the authority of the TPAM may be found in the disclosure brochure of the TPAM that is received by the client.

RPS - When providing Retirement Plan Services described herein, we may exercise discretionary authority or control over the investments specified in the Agreement. We perform these services to ERISA plans as a fiduciary under ERISA Section 3(21) and investment manager under ERISA Section 3(38). We are legally required to act with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. This discretionary authority is specifically granted to us by Plan Sponsor, as specified in the Agreement (*see also, Item 4 above*). Services do not include advice regarding the interpretation of the Plan documents, the determination of participant eligibility, benefits, or vesting, and the approval of distributions to be made by the Plan.

Plan Sponsors who wish to utilize third-party advisers may be required by the third-party adviser to authorize the third-party adviser to exercise discretionary authority or control over their investments.

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

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Clients retain the right to vote all proxies solicited for securities held in client accounts. Adviser and IARs will not vote proxies on behalf of the client. Certain TPAMs may render advice or act with respect to voting proxies if client authorization is granted in the TPAM's agreement.

RPS - Plan Sponsors retains the right to vote all proxies solicited for securities held in client accounts. Adviser and IARs are precluded from voting proxies on behalf of the Plan Sponsor. Certain third-party advisers may render advice or take action with respect to voting proxies if client authorization is granted in the third-party adviser's agreement.

## **ITEM 18 – FINANCIAL INFORMATION**

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Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.



## **Part 2B: Brochure Supplement for Investment Model Services**

Brochure Supplement

**James Naldi**

**12671 High Bluff Dr., Suite 200  
San Diego, CA 92130  
858-436-3180**

This brochure supplement provides information about James Naldi an Investment Advisor Representative (“IAR”) of Independent Financial Group, LLC (“IFG”). This information supplements the IFG Form ADV Part 2A Firm. You should have received a copy of these brochures. You may contact the Compliance Department if you did not receive a brochure or if you have any questions concerning the contents of this supplement at 858-436-3180 or email us at [compliance@ifgsd.com](mailto:compliance@ifgsd.com). Additional information about James Naldi is available on the Securities and Exchange Commission’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Educational Background and Business Experience**

James Naldi was born in 1981.

#### **Formal Education after High School**

James Naldi received a Bachelors of Science in Finance from Fairfield University in 2003. He also received a M.B.A. in Finance from St. John’s University in 2009.

#### **Business Experience**

James Naldi joined IFG as a Registered Representative (RR) in 2022. He received his Series 65 in 2023 at which point he also became affiliated as an Investment Adviser Representative (IAR). Prior to IFG, James Naldi worked at Allianz Global Investors Distributors LLC as an RR from 2005-2022.

#### **Professional Designations**

**CFA or Chartered Financial Analyst** - In order to receive the CFA charter designation an individual must satisfy an educational and experience requirement and successfully complete the CFA Institute program. For additional information, refer to the CFA Institute’s website at [www.cfainstitute.org](http://www.cfainstitute.org)

**CAIA or Chartered Alternative Investment Analyst** – In order to receive the CAIA charter designation an individual must satisfy an educational and/or experience requirement, and successfully complete the CAIA Charter program. For additional information, refer to the CAIA Association’s website at <https://caia.org/>

**CIMA or Certified Investment Management Analyst** - In order to receive the CIMA designation an individual must satisfy an experience and educational requirement, successfully complete a Qualification Exam and a Certification Exam and satisfy 40 hours of continuing education every two years. For additional information, refer to the Investments & Wealth Institute’s website at <https://investmentsandwealth.org>

### **Item 3: Disciplinary Information**

There are no legal or disciplinary events to disclose.

### **Item 4: Other Business Activities**

a) The IAR is engaged in the following **investment-related** business activities:

1. James Naldi is a Registered Representative (RR) of IFG, a registered broker/dealer and member of the Financial Industry Regulatory Authority (FINRA). RR is licensed to sell securities and securities-related products through IFG and receives transaction-based commissions. This creates an inherent conflict of interest when working with clients to either provide commission-based products as a RR or advisory based products as an IAR. Please note that you are under no obligation to purchase or sell commission-based products through James Naldi. If you elect to open a commission-based account through IFG, disclosure will be made regarding the nature of the relationship, services offered, and compensation received at the time the account is established.



b) IFG's Investment model services are model portfolios of securities managed by James Naldi, IFG's Director, Research & Portfolio Construction that seek to achieve one or more investment styles or disciplines. The models cover a range from "Conservative" to "Aggressive Growth" and use asset classes including domestic equities, global equities, fixed income, and liquid alternative investments. The model portfolios will be rebalanced at his discretion.

**IFG Model Portfolio Process:** The model portfolio construction process has four main components which include a strategic asset allocation framework, investment manager research, portfolio construction & implementation and ongoing monitoring. Below please find more detail on each component.

**Strategic Asset Allocation Framework:** The portfolio construction process starts off with a build out of each model's long-term asset class mix. This strategic asset allocation framework utilizes long-term return, risk and correlation asset class forecasts which are commonly referred to as capital market assumptions (CMAs). An optimization on these CMAs is conducted to build a globally diversified asset mix that aims to achieve the highest expected return for each level of risk. This strategic asset allocation process builds out the asset class mix for each model portfolio. Once the asset class mix has been identified, IFG begins the process of researching underlying investment managers and investment vehicles for exposure to each asset class.

**Investment Manager Research:** The first step in the evaluation of investment managers is to utilize an initial screening criterion to help narrow down the universe. The quantitative screening process utilizes a scoring system that ranks the universe of managers on a wide range of data points which includes expenses, portfolio manager tenure, returns, volatility, risk-adjusted returns, return-capture profiles, and downside risks. After a narrowed-down list of managers is identified, IFG begins analyzing each manager's historical track record with a focus on the manager's ability to consistently generate positive excess returns and risk-adjusted returns over rolling periods. Rather than focusing on a single point in time, the process looks back over rolling periods to identify managers that have consistently outperformed throughout time. The investment managers who pass these two stages are then reviewed on a qualitative and further quantitative basis. The qualitative review is focused on understanding the manager's investment philosophy, process, and investment style. The quantitative analysis looks to confirm the qualitative take-aways. These managers are then reviewed under various stress scenarios such as periods of rising interest rates or significant equity market declines to gain further insight into their return profile.

**Portfolio Construction & Implementation:** The model portfolios utilize a multi-manager and hybrid investment strategy which includes both passive and active investment vehicles. Preference may be given to passive investment strategies (i.e., passive exchange traded funds) in certain asset classes where IFG believes it may be difficult for investment managers to consistently outperform their benchmark. In other asset classes, active investment strategies may be preferred. In asset classes where active management is preferred, IFG will utilize the managers who were identified in the previous investment manager research step. Once a manager has been identified for inclusion, IFG will assess how well the investment manager fits within the overall portfolio. This includes an analysis of the manager's correlation of returns and correlation of excess returns with the other components of the portfolio. Once investment managers and their respective vehicles have been identified for each asset class, IFG conducts historical return analytics and stress tests on the overall portfolio to gain insight into the ability of the portfolio to meet its stated objective.

**Ongoing Monitoring:** The model portfolios are monitored on an ongoing basis. The overall portfolio and underlying investment managers are continually reviewed to determine whether the portfolio is meeting its stated objective. Performance reviews, attribution analysis, quarterly commentary from the investment managers and meetings with the investment teams are used to provide further details on investment results. The goal is to determine if the model portfolio is meeting its stated investment objective.

Before participating in any Program or investing in any specific asset class, investors should discuss their tolerance for risk with their IAR and carefully consider the risks associated with the investment by reviewing, as applicable, the prospectus, offering memorandum or disclosure brochure. All investment decisions involve risk including the potential loss of principal.

## **Item 5: Additional Compensation**

At times, an IAR will receive non-cash compensation from product sponsors as permitted by industry rules. For example, product sponsors may reimburse up to 100% of the cost of due diligence, training, and education/joint marketing meetings. In addition, product sponsors may invite an IAR to attend seminars, conferences and/or entertainment events at little or no cost.

An IAR of IFG may also receive compensation for referring a client to another Registered Investment Adviser for account management. The RIA may pay a fee for the referral (solicitation fee). In certain cases, the IAR will serve as the RR on the assets managed by the third-party RIA. In this instance, the IAR will receive compensation (e.g., commissions, 12b-1 fees, trails) for the purchase of the investments in addition to the referral fee paid by the third-party advisor.

### **Item 6: Supervision**

James Naldi when acting as an IAR for individual clients is supervised by Richard Mireles, V.P. Supervision, at 858-436-3180. The Supervision Department's responsibilities include: review and approval of transactions, regular review of correspondence and review of client documentation such as account forms, advisory agreements and Investment Policy Statements. The supervisor or his designee will conduct this supervision by using daily trade reports, blotters, compliance reports and other back-office systems provided by IFG. The supervisor or his designee also reviews inspection reports of the IAR's business practices as conducted by IFG's Compliance Department to monitor if IAR is adhering to IFG's Code of Ethics. When Mr. Naldi is in his role of IFG's Director, Research & Portfolio Construction, he reports to Chad Cristo, Senior Vice President, National Sales & Marketing 858-436-3180.