

# Phillips Financial Strategies LLC Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Phillips Financial Strategies LLC. If you have any questions about the contents of this brochure, please contact us at (202) 681-1161 or by email at: [william@phillipsfinancialstrategies.com](mailto:william@phillipsfinancialstrategies.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Phillips Financial Strategies LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Phillips Financial Strategies LLC's CRD number is: 305146.*

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*Registration as an investment adviser does not imply a certain level of skill or training.*

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## Item 2: Material Changes

The material changes in this brochure from the last annual updating amendment of Phillips Financial Strategies LLC on March 13, 2023, are described below. Material changes relate to Phillips Financial Strategies LLC's policies, practices or conflicts of interests.

- Phillips Financial Strategies LLC has added Morningstar Managed Portfolios as a service and the related fees. (Items 4 and 5)

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Phillips Financial Services LLC (hereinafter “PFS”) is an LLC taxed as an S-Corporation organized in the District of Columbia. The firm was formed in September 2014 and registered as an investment adviser in the District of Columbia on January 7, 2020. The principal owner is William Anthony Phillips.

### B. Types of Advisory Services

#### *Portfolio Management Services*

PFS offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. PFS creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

PFS evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. PFS will require discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

PFS seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of PFS’s economic, investment or other financial interests. To meet its fiduciary obligations, PFS attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, PFS’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is PFS’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time. PFS does not advise pooled investment vehicles.

## ***Morningstar Managed Portfolios***

PFS reviews the client's responses to the program questionnaire and assists the client in determining the most appropriate portfolio for the client from among the portfolios available under the program. Furthermore, PFS is responsible for determining whether the client's clearing and custody fees are charged on an "asset" or "per transaction" basis. PFS has an agreement with an unaffiliated, independent investment adviser, Morningstar Investment Services ("Morningstar"), to provide model portfolio allocations to PFS.

## ***Co-Advisory Services***

### ***WealthPort***

PFS participates, under a co-advisory relationship with Cambridge Investment Research Advisors, Inc. (CIRA) CRD# 134139, in fee-based services sponsored through CIRA's WealthPort Wrap Programs. The wrap fee programs charge an inclusive fee, covering custodial, brokerage, and investment advisory services. WealthPort Wrap Programs encompass the Advisor-Directed Program and the Cambridge Asset Allocation Platform (CAAP). All clients are provided with the WealthPort Wrap Brochure before or at the time the client enters into this program.

### ***Advisor-Directed***

PFS provides customized portfolio management solutions based on a client's individual circumstances, risk tolerance, investment objectives, and time horizon on a discretionary basis. William Phillips will meet with the client at least annually to review personal circumstances and investment objectives and adjust the portfolio's asset allocation as needed.

### ***CAAP***

The CAAP program is a discretionary portfolio management solution offering access to multiple individual portfolio strategists. Each strategist offers a unique approach to investing and may offer multiple model portfolios. PFS will work with clients to identify an appropriate strategist(s) and model portfolio(s) based on individual circumstances, investment objectives, risk tolerance, and time horizon. Clients are provided with an Investment Policy Statement (IPS) which confirms the selected strategist(s) and model portfolio(s), as well as the investment objective and time horizon.

William Phillips will meet with the client at least annually to review personal circumstances and investment objectives and confirm the appropriateness of the strategist(s) employed and model portfolio(s) utilized. CAAP strategists are not affiliated with PFS or CIRA.

## ***Pension Consulting Services***

PFS offers consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans). Pension consulting may include, but is not limited to:

- identifying investment objectives and restrictions
- providing guidance on various assets classes and investment options
- recommending money managers to manage plan assets in ways designed to achieve objectives
- monitoring performance of money managers and investment options and making recommendations for changes
- recommending other service providers, such as custodians, administrators and broker-dealers
- creating a written pension consulting plan

These services are based on the goals, objectives, demographics, time horizon, and/or risk tolerance of the plan and its participants.

## ***Financial Planning***

Financial plans and financial planning may include but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. Investment planning involves working with clients to make sure their investments match their respective risk tolerance and goals. Tax concerns are addressed by working with the client to determine and compare effective tax rates for income, capital gains and other earnings or investments, then attempting to allocate the client's resources accordingly. Life insurance planning entails reviewing the life insurance and/or disability insurance needs of the client, together with any applicable dependents, spouse or other relatives, and assessing appropriate coverage for these individuals. College planning entails helping clients save for higher education, whether for the client or his/her children or other dependents, in the ideal manner to suit the client's overall financial goals and means. Financial planning to address retirement entails making sure clients are financially equipped for retirement in light of the client's anticipated income and expenses, investments, and other assets. Debt/credit planning consists of breaking down client budgets and aiding clients in decision-making as to current debt, anticipated significant expenses and potential debt, and avoiding excessive debt. PFS will offer comprehensive financial planning to clients.

## ***Services Limited to Specific Types of Investments***

PFS generally limits its investment advice to mutual funds, fixed income securities, insurance products including annuities, equities, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds and non-U.S. securities, although PFS primarily recommends equities and ETFs. PFS may use other securities as well to help diversify a portfolio when applicable.

## C. Client Tailored Services and Client Imposed Restrictions

PFS will tailor a program for each individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by PFS on behalf of the client. PFS may use model allocations together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent PFS from properly servicing the client account, or if the restrictions would require PFS to deviate from its standard suite of services, PFS reserves the right to end the relationship in compliance with the DC Securities Act as described in the investment advisory contract.

## D. Wrap Fee Programs

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, and certain other administrative fees. PFS recommends CIRA's WealthPort which in turn manages wrap fee programs. PFS's direct portfolio management is not performed under a wrap fee program.

## E. Assets Under Management

PFS has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$ 58,626,165.00	\$ 1,591,882.00	August 2023

# Item 5: Fees and Compensation

## A. Fee Schedule

### *Portfolio Management Fees*

#### *Advisor Directed (WealthPort)*

Clients are charged an annual fee for custody and trading (program fee) and advisory services. An optional setup fee for additional services may be charged, when applicable. The client account may be billed monthly or quarterly, in advance or in arrears, depending on the agreement. The maximum fee is 2.25%. Fees are negotiable.

#### *CAAP (WealthPort)*

Fees for the CAAP program are a maximum 2.15% per year of assets under management. CAAP charges an annual account fee for advisory, transaction and custodial (program

fee), and strategist services. An optional setup fee for additional services may be charged, when applicable. Fees are negotiable.

<b>Total Assets Under Management</b>	<b>Annual Fees</b>
\$0 - \$49,999	1.50%
\$50,000 - \$349,999	1.25%
\$350,000 - \$2,000,000	1.00%
\$2,000,001 – And Up	0.75%

The advisory fee is calculated using the value of the assets (investments, less cash & money market securities) in the Account on the last business day of the prior billing period.

Pursuant to the WealthPort Agreement, all fees are deducted from Client's account by CIRA, and PFS' fee is paid by CIRA to PFS. PFS' portion of the fee is non-negotiable. PFS does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

The final fee schedule will be memorialized in the client's advisory agreement. Clients may terminate the agreement without penalty for a full refund of PFS's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally with 30 days' written notice.

### ***Morningstar Managed Portfolios Fees***

The maximum amount charged to a Participating Client Account is 1.10% (110 basis points) and the sum of PFS's advisory fees and Morningstar's advisory fees noted below will not be greater than 1.65% (165 basis points). The below tables reflect the maximum Advisory Fees charged for Participating Client Account at each breakpoint.

Any fee PFS wishes to impose because of its duties in supervising, administering, and/or supporting (including marketing support) its representatives will be taken from the PFS advisory fee charge.

Advisory Fees will be remitted quarterly within 15 days of Morningstar Investment Services receipt of the Total Fee ("Total Fee" is the combination of the PFS's advisory fee and the Morningstar Program Fee noted below) from the Custodian in accordance with the terms of the Investment Management Agreement agreed upon by the Participating Client, PFS and Morningstar Investment Services and the Program Fee schedule agreed upon by the Participating Client during the Account opening process. If, for any reason, the deduction of the Total Fee from the Participating Client's Account by the Custodian is delayed or does not occur, PFS's advisory fee will be similarly delayed or will not occur.



For any quarterly period in which an Account is open for less than the full period, PFS's advisory fee will be prorated based upon the number of days in the quarter the Account is open.

The Custodian selected may impose a fee based on their short-term trading policies. That fee is separate and distinct from the Total Fee and Clearing Fees and if imposed by the Custodian, that fee will be charged to the appropriate Participating Client(s).

Account Assets	Asset Allocation and Outcome-Based Series Portfolios whose underlying holdings are:				Select Equity Strategies	Enhanced Cash Option
	Solely MIS Funds	<ul style="list-style-type: none"> <li>Solely 3<sup>rd</sup> Party (i.e. non-MIS Funds) mutual funds</li> <li>3rd Party mutual funds and ETFs</li> </ul>	MIS Funds and 3 <sup>rd</sup> Party mutual funds and/or ETFs	Solely ETFs		
First \$500K	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
Next \$500K	1.05%	1.05%	1.05%	1.10%	1.10%	1.05%
Next \$1MM	1.00%	1.00%	1.00%	1.10%	1.10%	1.00%
Over \$2MM	0.90%	0.90%	0.90%	1.10%	1.10%	0.90%

Account Assets	Asset Allocation and Outcome-Based Series Portfolios whose underlying holdings are:				Select Equity Strategies	Enhanced Cash Option
	Solely MIS Funds	<ul style="list-style-type: none"> <li>Solely 3<sup>rd</sup> Party (i.e. non-MIS Funds) mutual funds</li> <li>3rd Party mutual funds and ETFs</li> </ul>	MIS Funds and 3 <sup>rd</sup> Party mutual funds and/or ETFs	Solely ETFs		
First \$500K	0.20%	0.40%	0.30%	0.30%	0.55%	0.20%
Next \$500K	0.15%	0.35%	0.25%	0.25%	0.50%	0.20%
Next \$1MM	0.10%	0.30%	0.20%	0.20%	0.45%	0.20%
Over \$2MM	0.05%	0.20%	0.15%	0.15%	0.40%	0.20%

## ***Pension Consulting Services Fees***

### **Fixed Fees**

The rate for creating client pension consulting plans is between \$2,000 and \$6,000. The final fee schedule will be memorialized in the client's advisory agreement. This service may be canceled with 30 days' notice. Fees are non-negotiable. The flexible fee is based upon the complexity of the plan, the hourly rate, the estimated amount of time to be used for creating a pension plan. It is anticipated that each pension planning service listed above will take approximately 2-4 hours of pension planning and therefore the time to complete a pension plan will depend on the services required by the client.

### **Hourly Fees**

The hourly fee for these services is \$350. The final fee schedule will be memorialized in the client's advisory agreement. Fees are non-negotiable.

## ***Financial Planning Fees***

### **Fixed Fees**

The fixed rate for creating client financial plans is between \$2,000 and \$6,000. Fees are negotiable. The fixed fee is based upon the complexity of the plan, the hourly rate, the estimated amount of time to be used for creating a financial plan. Fixed fees relate to financial plans and financial planning that may include, without limitation: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning, each service as further detailed above.

It is anticipated that each financial planning service listed above will take approximately 2-4 hours of financial planning and therefore the time to complete a financial plan will depend on the services required by the client. For example, the financial plan for a client requiring only investment planning, retirement, and life insurance planning will usually require 6-12 hours.

### **Hourly Fees**

The hourly fee for these services is \$350. Fees are non-negotiable. There is a 4 hour minimum for hourly financial planning services.

Clients may terminate the agreement without penalty, for full refund of PFS's fees, within five business days of signing the Financial Planning Agreement. Thereafter, clients may terminate the Financial Planning Agreement generally upon written notice.

## **B. Payment of Fees**

### ***Payment of Portfolio Management Fees***

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a monthly basis. Fees are paid in advance.

### ***Payment of Morningstar Managed Portfolios Fees***

Asset-based portfolio management fees for Morningstar Managed Portfolios are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis. Fees are paid in arrears.

### ***Payment of Pension Consulting Fees***

Fixed pension consulting fees are paid via check, credit cards, ETF or bank wire through AdvicePay. These fees are paid in arrears upon completion.

Hourly pension consulting fees are paid in arrears upon completion.

### ***Payment of Financial Planning Fees***

Financial planning fees are paid via check, credit cards, ETF or bank wire through AdvicePay.

Fixed financial planning fees are paid 8% in advance, but never more than six months in advance, with the remainder due upon presentation of the plan.

Hourly financial planning fees are paid in arrears upon completion.

## **C. Client Responsibility For Third Party Fees**

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by PFS. Please see Item 12 of this brochure regarding broker-dealer/custodian.

## **D. Prepayment of Fees**

PFS collects certain fees in advance and certain fees in arrears, as indicated above. Refunds for fees paid in advance but not yet earned will be refunded on a prorated basis and returned within fourteen days to the client via check, or return deposit back into the client's account.

For all asset-based fees paid in advance, the fee refunded will be equal to the balance of the fees collected in advance minus the daily rate\* times the number of days elapsed in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee rate by 365.)

Fixed fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination.

### **E. Outside Compensation For the Sale of Securities to Clients**

William Anthony Phillips in his outside business activities (see Item 10 below) is licensed to accept compensation for the sale of investment products to PFS clients. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which the supervised persons receives compensation, PFS will document the conflict of interest in the client file and inform the client of the conflict of interest. Clients always have the right to decide whether to purchase PFS-recommended products and, if purchasing, have the right to purchase those products through other brokers or agents that are not affiliated with PFS.

Commissions are not PFS's primary source of compensation for advisory services. Advisory fees that are charged to clients are not reduced to offset the commissions or markups on securities or investment products recommended to clients. PFS does not receive commissions that are in excess of 50% of revenue.

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

PFS does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

PFS generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans

There is no account minimum for any of PFS's services. PFS does not impose any requirements for opening or maintaining an account.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

PFS's methods of analysis include Fundamental analysis, Modern portfolio theory and Quantitative analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

#### *Investment Strategies*

PFS uses long term trading and options trading (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### B. Material Risks Involved

#### *Methods of Analysis*

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Modern portfolio theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The

implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

**Quantitative analysis** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

### *Investment Strategies*

PFS's use of options trading generally holds greater risk, and clients should be aware that there is a material risk of loss using any of those strategies.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Options transactions** involve a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value, as well as the possibility of leveraged loss of trading capital due to the leveraged nature of stock options.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

PFS's use of options trading generally holds greater risk of capital loss. Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Annuities** are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

**Options** are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

**Non-U.S.** securities present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

William Anthony Phillips is a registered representative of Cambridge Investment Research, Inc.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither PFS nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

William Anthony Phillips is a registered representative of Cambridge Investment Research, Inc. (CRD# 39543). From time to time, he will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or



other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. PFS always acts in the best interest of the client, including with respect to the sale of commissionable products to advisory clients. Clients always have the right to decide whether or not to utilize the services of any PFS representative in such individual's outside capacities.

William Anthony Phillips is an insurance agent with PFS, and from time to time, will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. PFS always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to utilize the services of any representative of PFS in connection with such individual's activities outside of PFS.

#### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

PFS does not utilize nor select third-party investment advisers.

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

#### **A. Code of Ethics**

PFS has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. PFS's Code of Ethics is available free upon request to any client or prospective client.

#### **B. Recommendations Involving Material Financial Interests**

PFS does not recommend that clients buy or sell any security in which a related person to PFS or PFS has a material financial interest. PFS will disclose all conflicts of interest to clients in the disclosure brochure. PFS will inform all clients of conflicts of interest as they arise and disclose how each conflict of interest will be mitigated.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of PFS may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of PFS to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. While PFS will not discuss with clients each specific instance of trading similar securities, the firm will document internally any transactions that could be construed as conflicts of interest. Moreover, PFS will, consistent with its fiduciary duty, act in the clients' best interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of PFS may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of PFS to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, PFS will never engage in trading that operates to the client's disadvantage if representatives of PFS buy or sell securities at or around the same time as clients.

## **Item 12: Brokerage Practices**

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

Custodians/broker-dealers will be recommended based on PFS's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and PFS may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in PFS's research efforts. PFS will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

PFS will require clients to use National Financial Services LLC and Charles Schwab & Co., Inc. Advisor Services. By directing brokerage, PFS may be unable to achieve most favorable execution of client transactions which could cost clients money in trade execution. Not all advisers require or allow their clients to direct brokerage.

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

While PFS has no formal soft dollars program in which soft dollars are used to pay for third party services, PFS may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). PFS may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and PFS does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. PFS benefits by not having to produce or pay for the research, products or services, and PFS will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that PFS's acceptance of soft dollar benefits may result in higher commissions charged to the client. Please see Item 14 for more information.

With respect to Schwab, PFS receives access to Schwab Advisor Services trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For PFS client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to PFS other products and services that benefit PFS but may not benefit its clients' accounts. These benefits may include national, regional or PFS specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of PFS by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist PFS in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of PFS's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of PFS's accounts. Schwab Advisor Services also makes

available to PFS other services intended to help PFS manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to PFS by independent third parties. Schwab Advisor Services 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 to PFS. PFS is independently owned and operated and not affiliated with Schwab.

## ***2. Brokerage for Client Referrals***

PFS receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

## ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

PFS will require clients to use a specific broker-dealer to execute transactions. Not all advisers require clients to use a particular broker-dealer.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

If PFS buys or sells the same securities on behalf of more than one client, then it may (but would be under no obligation to) aggregate or bunch such securities in a single transaction for multiple clients in order to seek more favorable prices, lower brokerage commissions, or more efficient execution. In such case, PFS would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. PFS would determine the appropriate number of shares and select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction (if any). Additionally, if PFS does not aggregate securities in a single transaction for multiple clients when buying or selling the same securities on behalf of more than one client, then PFS may be unable to achieve most favorable execution of client transactions, which could cost clients' money in trade execution.

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

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts for PFS's advisory services provided on an ongoing basis are reviewed at least Monthly by William A Phillips, Owner, with regard to clients' respective investment policies and risk tolerance levels. All accounts at PFS are assigned to this reviewer.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by William A Phillips, Owner. Financial planning clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee as described in item 5 above.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

With respect to financial plans, PFS's services will generally conclude upon delivery of the financial plan.

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client of PFS's advisory services provided on an ongoing basis will receive a monthly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian. PFS will also provide at least monthly a separate written statement to the client, which will include the formula used to calculate the fee, the time period covered by the fee, and the amount of assets under management on which the fee was based.

Each financial planning client will receive the financial plan upon completion.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

PFS does not receive any economic benefit, directly or indirectly from any third party for advice rendered to PFS's clients.

### **B. Compensation to Non - Advisory Personnel for Client Referrals**

PFS does not directly or indirectly compensate any person for client referrals.

## **Item 15: Custody**

When advisory fees are deducted directly from client accounts at client's custodian, PFS will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy. Clients will also receive statements from PFS and are urged to compare the account statements they received from custodian with those they received from PFS. PFS will comply with all requirements set forth in the Rules and D.C. Official Code § 31-5605.02(g).

## **Item 16: Investment Discretion**

PFS provides discretionary investment advisory services to clients. The advisory contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, PFS generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share. In some instances, PFS's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to PFS. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent PFS from properly servicing the client account, or if the restrictions would require PFS to deviate from its standard suite of services, PFS reserves the right to end the relationship. PFS will also have discretionary authority to determine the broker or dealer to be used for a purchase or sale of securities for a client's account.

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

PFS will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security or to PFS. Client may contact PFS at Phone: (202) 681-1161 or by Email: [william@phillipsfinancialstrategies.com](mailto:william@phillipsfinancialstrategies.com).

## **Item 18: Financial Information**

### **A. Balance Sheet**

PFS neither requires nor solicits prepayment of more than \$500 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither PFS nor its management has any financial condition that is likely to reasonably impair PFS's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

PFS has not been the subject of a bankruptcy petition in the last ten years.

## **Item 19: Requirements For State Registered Advisers**

### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

PFS currently has only one management person: William Anthony Phillips. Education and business background can be found on the individual's Form ADV Part 2B brochure supplement.

### **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Other business activities for each relevant individual can be found on the Form ADV Part 2B brochure supplement for each such individual.

### **C. Calculation of Performance-Based Fees and Degree of Risk to Clients**

PFS does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **D. Material Disciplinary Disclosures for Management Persons of this Firm**

No management person at PFS or PFS has been found liable in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

### **E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

See Item 10.C and 11.B.