



KLAAS FINANCIAL ASSET ADVISORS, LLC

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## Disclosure Brochure | March 30, 2018

This brochure provides information about the qualifications and business practices of Klaas Financial Asset Advisors, LLC ("Klaas"). If you have any questions about the contents of this brochure, please contact us at (815) 877-8440 or by email at [info@klaasfinancial.com](mailto:info@klaasfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Klaas is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser are intended to provide you with information to assist in your determination as to whether or not to retain the services of that investment adviser.

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



## Item 2. Material Changes

Klaas Financial Asset Advisors, LLC (“Klaas”) delivers its Disclosure Brochure initially when we enter into an advisory agreement with you. The Disclosure Brochure will be updated no less than annually within 90 days of our December 31 fiscal year end. Within 120 days of our fiscal year end, we will deliver to you a summary of material changes which have been made to our Disclosure Brochure since its last annual update. This summary will include information about how you may obtain a complete copy of our updated Disclosure Brochure at no charge, and it will include the date of the last annual update. We will provide updated disclosure information about material changes more frequently as needed.

The last annual update to our brochure was dated March 22, 2017. We have made the following material changes to our Brochure since the last update.

- Craig J. Klaas is the firm’s President; Maleeah L. Wernsing-Cuevas is the firm’s Chief Executive Officer; Stephanie R. Mowers is the firm’s Chief Operating Officer, and Rita B. Rhodes is the firm’s Chief Compliance Officer.
- We have revised Item 4, Advisory Business, and Item 5, Fees and Compensation, to include the use of our brand names: Klaas Investment Portfolios (“KIP”) for our discretionary wrap fee program, Klaas 360 for our financial planning and consulting services, and Klaas 401k for our retirement plan consulting services. No material changes were made to our services or fees. We simply updated the language of our disclosure brochure to clarify our services and fees, and to align with our firm’s branding.
- Item 14, Client Referrals and Other Compensation, was updated to clarify that we do not currently participate in any solicitation arrangements.
- Other minor updates were made where necessary for consistency, for clarification, or to correct typographical or grammatical errors.
- As of December 31, 2017, we managed approximately \$279 million in client assets for approximately 1,753 clients in our discretionary wrap fee program. We also provided investment education and consulting services for 13 retirement plans representing approximately \$67 million in assets.

Currently, our brochure may be requested by contacting us at 815-877-8440 or [info@klaasfinancial.com](mailto:info@klaasfinancial.com), or by visiting [klaasfinancial.com/klaas/downloads/ADV-Part-2A-General-KFAA-Disclosure-Brochure.pdf](http://klaasfinancial.com/klaas/downloads/ADV-Part-2A-General-KFAA-Disclosure-Brochure.pdf). We will provide you with a copy of our current brochure at any time without charge.

Information about each of our Investment Adviser Representatives may be found in their respective Form ADV Part 2B Individual Disclosure Brochure Supplement.

*Klaas Financial Asset Advisors, LLC  
CRD Number 121399*



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#### Item 4. Advisory Business

Klaas Financial Asset Advisors, LLC (“Klaas”) is located in Loves Park, Illinois and Fitchburg, Wisconsin. Craig J. Klaas is the firm’s President; Maleeah L. Wernsing-Cuevas is the firm’s Chief Executive Officer; Stephanie R. Mowers is the firm’s Chief Operating Officer, and Rita B. Rhodes is the firm’s Chief Compliance Officer. Craig J. Klaas owns 50% of the firm and Maleeah L. Wernsing-Cuevas owns 50% of the firm. Klaas is registered as an investment adviser with the U.S. Securities and Exchange Commission.

Our services include:

- **Klaas Investment Portfolios** — Wrap-fee program offering discretionary portfolio management
- **Klaas 360** — Financial planning and consulting services
- **Klaas 401k** — Retirement plan consulting services

Each of these offerings is described more fully below.

#### Klaas Investment Portfolios (“KIP”) — Wrap Fee Program

Klaas Investment Portfolios (“KIP”) is the brand name under which we offer discretionary portfolio management services and financial planning through the KIP Wrap Fee Program on a wrap-fee basis. Clients who wish to participate in the KIP Wrap Fee Program will enter into an investment advisory agreement with us. In general, through discussions, interviews, and questionnaires, we assist clients in determining their investment objectives, risk tolerance, and investment time horizon, and any investment policies, guidelines, or reasonable restrictions applicable to the assets designated for investment in the Program. As part of the Program, we provide financial planning services as outlined in the Klaas 360 service described below. In addition, we provide discretionary asset management. Based on the information provided by the client, we select one or more investment strategies (“Program Strategies”) and allocate assets between or among the Program Strategies. The Program Strategies may be developed and managed by Klaas or by third-party money managers (“Money Managers”). Details about the KIP Wrap Fee Program, including fees, is more fully described in the Wrap Fee Program Brochure, which is available upon request.

As of December 31, 2017, within the KIP Wrap Fee Program, we provided discretionary asset management of approximately \$279 million in client assets for approximately 1,753 clients. Discretionary asset management means that we have the authorization to make investment decisions on behalf of our clients.



## Klaas 360 — Financial Planning and Consulting

Klaas 360 is the brand name under which we provide financial planning and consulting services. Clients who wish to obtain these services will enter into a financial planning agreement with us. Through discussions, interviews, and questionnaires, we will gather sufficient information to develop a written financial plan. The items covered in your plan are outlined in the financial planning agreement, and are based on your financial circumstances and needs, as mutually agreed to between you and us. The written financial plan may consider such items as the following:

- Your personal financial circumstances, such as assets and liabilities, net worth, cash flow, spending analysis, budgeting, family situations, and personal obligations.
- Payment of past, present, and future debts, such as loans, education expenses, health expenses.
- Your current and future tax liabilities, and an analysis of how to mitigate tax liabilities with your investments.
- Your attitudes towards investments, including your risk tolerance, financial goals, and investment objectives.
- Your cash needs in the event of your disability, incapacity, or death, including the income needs of your dependents, and estate planning.
- Your current retirement assets, potential future savings, planned retirement age, income needs and spending in retirement.
- Other specific financial concerns you may have.

We base our financial plans on the information that you provide to us. Inaccurate or incomplete information may result in an inaccurate or incomplete financial plan. To create a financial plan, we must make certain assumptions with respect to interest and inflation rates, past trends, and future projections of the performance of the market and economy. Past performance is no indication of future performance, and we cannot offer any guarantees or promises that your goals and objectives will be met. Changes to your personal financial circumstances, goals, or objectives may cause your financial plan to become inaccurate and out of date. We recommend that you notify us promptly of any changes so that your plan can be updated.

You have the option to implement any of the recommendations made in the financial plan. You may implement any investment recommendations on your own, or have us implement them on your behalf. If you wish for us to provide discretionary asset management of your investments, you may enter into an investment advisory agreement under our KIP Wrap Fee Program. Although the financial plan may



consider your tax situation or estate plan, we do not provide tax or legal advice. We recommend that you work closely with your attorney, accountant, or other investment professionals in implementing your plan. We are happy to work with your professionals to coordinate your financial plan with your estate planning and tax planning.

In some cases, your financial plan may recommend an insurance product. Some of our Investment Adviser Representatives are also licensed insurance agents. If you choose to purchase a recommended insurance product through your Investment Adviser Representative, he or she will earn a commission on products purchased. In addition, Klaas has an arrangement with Monarch Solutions, Inc. (“Monarch”) under which Klaas receives a percentage of the first year’s revenue from insurance products purchased by any clients referred to Monarch by Klaas. The price a client pays for insurance products is not affected by our referral. You may choose to purchase any insurance products through any licensed agent.

In addition, your financial plan may recommend a product offered through Investacorp, Inc., a registered broker-dealer, member FINRA/SIPC. Some of our Investment Adviser Representatives are registered representatives of Investacorp. If you choose to purchase the recommended product through Investacorp, your Investment Adviser Representative will earn a commission on such products. Klaas and Investacorp are not affiliated. You may choose to purchase any brokerage products through another insurance agent or broker-dealer.

## Klaas 401k — Retirement Plan Consulting

Klaas 401k is the brand name under which we provide consulting services to the Plan Sponsors and Plan Participants of qualified retirement plans. Plan Sponsors who wish to engage our services to the Plan and its Participants will enter into an investment consulting and education services agreement with us. Our services can be tailored to client requirements. Our Klaas 401k program includes the services described below. Clients may choose whether to use any or all of these services:

### **1. Participant Investment Education Services**

Klaas will provide the following investment education services at the Plan Sponsor’s reasonable request. These investment education services may include information about the plan, general financial and investment information, and/or generalized asset allocation models, but will not address the appropriateness for any individual investment option or model for any particular Participant.



- Assist Plan Sponsor with the development of communication/education materials for Participants.
- Conduct seminars for Participants on investment issues relevant to the Plan and retirement planning in general (in group settings).
- Conduct other periodic group education meetings.
- Assist Plan Sponsor with the planning and coordination of an initial enrollment and communication meeting in a group setting for the purpose of introducing the Plan to Participants and educating Participants about the Plan ("Initial Meeting").
- Participate with the Plan Sponsor and the Plan Sponsor's appointed record keeper and third party plan administrator, if applicable, in conducting the Initial Meeting.

## **2. Investment Monitoring and Review Services**

Klaas will consult with Plan Sponsor about quarterly reports provided by Record Keeper for each fund Plan Sponsor selects to make available to Participants through the Plan.

## **3. Investment Selection Services.**

Upon Plan Sponsor's request, Klaas will analyze funds in the universe of funds defined by Plan Sponsor, and make recommendations for funds to be made available to Participants in the Plan. Plan Sponsor is solely responsible for reviewing Klaas' recommendations and making the final selection of funds to be made available in the Plan. The Employee Retirement Income Security Act of 1974 ("ERISA") sets forth rules under which Plan Fiduciaries may retain investment advisors for various types of services with respect to Plan assets. For certain services, Klaas will be considered a fiduciary under ERISA.

For example, Klaas will act as a §3(21) fiduciary when providing non-discretionary investment advice to the Plan Sponsors by recommending a suite of investment choices among which the Plan Sponsor will review and select as investment options for Participants.

As of December 31, 2017, under the Klaas 401k services, we provided non-discretionary advice on approximately \$67 million in retirement plan assets for 13 plans. We do not have discretion to execute trades in these accounts; however, we collect a fee for our services based on the plan assets or as a fixed fee.

## **Item 5. Fees and Compensation**

### **KIP Program Fees**

The fees for our KIP Wrap Fee Program are described in detail in the Wrap Fee Program Brochure, which is available upon request.



## Klaas 360 Fees

### **Fixed Fees**

We may charge a fixed fee for our services which is based on the complexity of the situation and the needs of the client. Typically, this fee will range between \$500 and \$5,000; however, we reserve the right to charge a higher fee if the situation dictates. Fees are paid in arrears and are due upon the presentation of the plan. Fees are non-negotiable, and are set forth in the fee schedule attached to the Financial Planning Agreement. Clients may terminate the Financial Planning Agreement without penalty within five business days of signing said Agreement. If the client terminates the Financial Planning Agreement more than five business days after signing said Agreement, the client will be billed an amount equal to an hourly rate (as set forth in the Financial Planning Agreement) times the number of hours of work that has been completed up to and including the date of termination.

### **Hourly Fees**

The hourly fee for these services is typically \$250 per hour, but depending on the complexity of the situation and the needs of the client, the hourly fees may range between \$100 and \$500. Fees are paid in arrears and are due upon the presentation of the plan. Fees are non-negotiable, and are set forth in the fee schedule attached to the Financial Planning Agreement. Clients may terminate the Financial Planning Agreement without penalty within five business days of signing said Agreement. If the client terminates the Financial Planning Agreement more than five business days after signing said Agreement, the client will be billed an amount equal to an hourly rate (as set forth in the Financial Planning Agreement) times the number of hours of work that has been completed up to and including the date of termination.

### **Monthly Retainer Fees**

Depending upon the complexity of the situation and the needs of the client, the monthly retainer fees for these services are between \$50 and \$200 per month. Fees are paid in advance on the first of every month with no refunds for partial months. Monthly retainer fee arrangements require a minimum twelve-month purchase period. Fees are non-negotiable, and are set forth in the fee schedule attached to the Financial Planning Agreement. Clients may terminate the Financial Planning Agreement without penalty within five business days of signing said Agreement. If the client terminates the Financial Planning Agreement more than five business days after signing said Agreement, but less than the twelve-month minimum purchase period, the client will be billed an amount equal to an hourly rate (as set forth in the Financial Planning Agreement) times the number of hours of work that has been completed up to and including the day of termination, minus any monthly fees paid to date. Clients must provide written notice of cancellation at least ten business days prior to any automatic monthly payment arrangement.





## Klaas 401k Fees

The fees for our Klaas 401k retirement plan consulting services may be based on a percentage of assets under advisement or may be a fixed fee. The fee may vary depending upon the complexity of the Plan and the level of services provided to the Plan Sponsor and Participants. Asset-based fees generally range between .05% to 1.0%. Fixed fees are negotiated on a case by case basis. The specific fee is set forth in the investment consulting services agreement between Klaas and the Plan Sponsor. Fees that are based on a percentage of assets under management are calculated on the total assets as of the last business day of each quarter, and fees for any partial quarter will be reduced on a pro rata basis. Fees are paid in arrears, billed on a quarterly basis, and may be paid by the Plan Sponsor or deducted from Plan Assets, at the Plan Sponsor's direction. In some cases (e.g., depending on plan size, number and complexity of investment options, or number of employees), fees may be negotiable.

Plan Sponsors may terminate their contracts at any time upon a 30-day written notice. If the contract is terminated prior to the end of a calendar quarter, the quarterly fees for the last quarter will be prorated.

In the event the Plan Sponsor requests to engage Klaas for additional services, including but not limited to customized printed participant or Plan Sponsor marketing campaigns, additional fees mutually agreed upon by the Plan Sponsor and Klaas will apply.

## Other Compensation

As mentioned previously, some of our Investment Adviser Representatives are also registered representatives of Investacorp, Inc., an SEC registered broker/dealer, member FINRA/SIPC. Klaas and Investacorp, Inc. are not affiliated. Some Investment Adviser Representatives are also licensed to sell insurance products. If you purchase an insurance product through one of our Investment Adviser Representatives who is a licensed insurance agent, or if you purchase a brokerage product through one of our Investment Adviser Representatives who is a registered representative of Investacorp, the Investment Adviser Representative will earn a commission on such products. If you choose to purchase insurance or brokerage products, you are not obligated to do so through our Investment Adviser Representatives or our firm.

Klaas also has an arrangement with Monarch Solutions, Inc. ("Monarch") under which Klaas receives a percentage of the first year's revenue from insurance products purchased by any clients referred to Monarch by Klaas. The price a client pays for insurance products is not affected by our referral. You may choose to purchase any insurance products through any licensed agent.



In addition to our fees, you may incur additional charges on your investment accounts, such as:

- custodial fees;
- brokerage commissions;
- transaction fees;
- internal fees and expenses charged by mutual funds, ETFs and variable annuities;
- fees charged by third party money managers;
- maintenance and termination fees for IRAs, certain retirement and qualified accounts; and
- other fees and taxes on brokerage accounts and securities transactions.

Mutual fund companies, ETFs, and variable annuity issuers charge internal fees and expenses for their products. These fees and expenses are in addition to any advisory fees charged by us. Complete details of these internal fees and expenses are explained in the prospectuses for each investment.

If you purchase mutual fund shares through the custodian, you may pay a transaction fee that would not be charged if the transaction were made directly through the mutual fund company. Also, mutual funds held in accounts at brokerage firms may charge internal fees that are different from mutual funds held at the mutual fund company. Mutual funds held at a mutual fund company may not be part of a managed account. This means that they will not be included in the investment strategies, investment performance monitoring, or investment reallocation performed by an investment manager.

Please be sure to read **Item 12** entitled “Brokerage Practices,” which follows later in this brochure.

#### **Item 6. Performance-Based Fees**

We do not charge performance-based fees for any of the services described in this brochure. Performance-based fees are generally based on a percentage of the capital gains on and/or appreciation of the client account assets.

#### **Item 7. Types of Clients**

We provide advisory services primarily to individuals, including high net worth individuals. We also provide services to small businesses, including their pension and profit sharing plans.

We do not impose a minimum investment account size to start and maintain an advisory relationship with us.

Third-Party Money Managers in the KIP Wrap Fee Program may impose minimum account balances. If so, these restrictions are set forth in their disclosure brochures.



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

### Methods of Analysis

We use various forms of analysis to review investments. These forms of analysis include:

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**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.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

### Investment Strategies

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading generally holds greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

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

### Risks of Specific Securities Utilized

Klaas generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.



Below is a summary of some of the general risks for categories of investments that may be used:

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss. Mutual funds are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in mutual funds.

All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned below).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an inherent risk involved when purchasing a stock in that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing value, albeit rather minimal.

**Fixed Income** is an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Debt securities** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

**Real Estate** funds face several kinds of risk that are inherent in this sector of the market. Liquidity risk, market risk and interest rate risk are just some of the factors that can influence the gain or loss that is passed on to the investor. Liquidity and market risk tend to have a greater effect on funds that are more growth-oriented, as the sale of appreciated properties depends upon market demand. Conversely, interest rate risk impacts the amount of dividend income that is paid by income-oriented funds.

**REITs** have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Precious Metal ETFs** (Gold, Silver, Palladium Bullion backed “electronic shares” not physical metal): Investing in precious metal ETFs carries the risk of capital loss.



### **Item 9. Disciplinary Information**

We have not been the subject of any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management.

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

Some Investment Adviser Representatives associated with Klaas are securities licensed through Investacorp, Inc., a registered broker-dealer, member FINRA, SIPC. You are not obligated to purchase brokerage products through these individuals. However, if you choose to do so, then these individuals will receive a commission and a conflict of interest exists. In addition, Investment Adviser Representatives associated with Klaas may be licensed insurance agents. You are not obligated to purchase insurance products through these individuals. However, should you choose to do so, these individuals will receive a commission and a conflict of interest exists. Information on each Investment Adviser Representative, including their brokerage registrations and insurance licenses, if any, is included in their Form ADV Part 2B Supplemental Brochure.

Neither Klaas nor its Investment Adviser Representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

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

We have adopted a Code of Ethics ("Code") to address the standards of business conduct required of our Investment Adviser Representatives and employees. The Code includes policies and procedures designed to protect your interests. The Code includes, but is not limited to, the following provisions:

- To uphold our fiduciary duty to put your interest ahead of ours at all times.
- To comply with all applicable laws and to maintain a standard of conduct.
- To avoid actual or potential conflicts of interest where possible, and to fully disclose any actual or potential conflicts that may exist.
- To conduct all personal securities transactions of our Investment Adviser Representatives and employees in a manner consistent with the Code.
- To avoid giving or receiving gifts that may influence decisions.
- To prevent any abuse of our position of trust and responsibility, including the use of inside information we may obtain.

You may obtain a complete copy of our Code upon request.



## Item 12. Brokerage Practices

We do not have the discretion to select the broker/dealer or custodian used for your accounts, although we may suggest broker/dealers and custodians and assist with new account paperwork. Because of our established relationship, we will generally recommend Fidelity Institutional Wealth Services (“Fidelity”) to you for custody and brokerage services. Fidelity, a member FINRA/SIPC, is an SEC-registered broker/dealer. Fidelity provides brokerage and custody through its affiliates, National Financial Services, LLC or Fidelity Brokerage Services, LLC, which are also SEC-registered broker/dealers and members FINRA/SIPC. Fidelity offers independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. Because our compensation in connection with the KIP Wrap Fee Program may vary depending on the broker/dealer or custodian selected, we may have a conflict of interest in recommending Fidelity for wrap fee accounts.

Third-Party Money Managers (“Money Managers”) in the KIP Wrap Fee Program may require the use of certain custodians. Please refer to the Brokerage Practices sections of their respective brochures for more information. We may also receive non-economic benefit from a Money Manager we utilize in the form of the support products and services it makes available to us, such as research, technology or educational events. The availability of these products and services are not based upon us giving particular investment advice, such as buying particular securities for our clients. Further information is available in the KIP Wrap Fee Brochure, which is available upon request.

We are independently owned and operated and not affiliated with the custodian we recommend. Our use of a particular custodian is, however, a beneficial business arrangement for us and for the custodian. Information regarding the benefits of this relationship is described below.

Our recommendation of a specific custodian is based in part on our existing relationships; the custodian’s financial strength; reputation; breadth of investment products; and, the cost and quality of custody and brokerage services provided to you and our other clients.

The determining factor in the selection of a particular custodian to execute transactions for your accounts is not the lowest possible transaction cost, but whether they can provide what is in our view the best qualitative execution for investment transactions for your account.

In addition to brokerage and custody services, Fidelity may provide access to investments generally available to institutional investors; research; software; and, educational opportunities. Fidelity may also make available or arrange for discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. Thus, we receive economic benefits as a result of our relationship with Fidelity, because we do not have to produce or purchase the products and services listed above.



These services are not contingent upon us committing any specific amount of business to the custodians in trading commissions. Klaas does not enter into any "soft dollar" arrangements with custodians and broker/dealers through which we receive research or other services based on commissions generated in your account or the number transactions effected in your account.

Our recommendation of specific custodians may be based in part on the economic benefit to us and not solely on the nature, cost or quality of custody and brokerage services provided to you and our other clients. This may create a conflict of interest for us. We nonetheless strive to act in your best interests at all times.

Custodians may not charge separately for holding our client accounts, but may be compensated by you through other transaction-related fees with the securities transactions they execute for your account.

Commissions and other fees for transactions executed through the custodians we recommend may be higher than commissions and other fees available if you use another custodian firm to execute transactions and maintain custody of your account. We believe, however, that the overall level of services and support provided to our clients by our recommended custodians outweighs the benefit of possibly lower transactions cost which may be available under other brokerage arrangements.

Many of the services described above may be used to benefit all or a substantial number of our accounts, including accounts not maintained through our recommended custodians. We do not attempt to allocate these benefits to specific clients.

### Directed Brokerage

You may direct us in writing to use a particular custodian to execute some or all of the transactions for your account. If you do so, you may be responsible for negotiating the terms and arrangements for the account with that custodian.

We may not be able to negotiate commissions, obtain volume discounts, or best execution with custodians with which we do not have a pre-existing relationship. A difference in transaction fees and expenses may also exist between those charged to clients who direct us to use a particular custodian and other clients who do not.



## Bunched Trading

Aggregated or “bunched trading” allows for the purchase or sale of a security for the accounts of multiple clients in a single transaction. If a bunched trade is executed, each participating client receives a price that represents the average of the prices at which all of the transactions in a given bunch were executed.

Executing a bunched trade allows transaction costs to be shared equally and on a pro rata basis among all of the participating clients. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner.

Our Money Managers will typically aggregate trades. Their trading policies are set forth in their disclosure agreements. If we execute trades on behalf of clients, we may aggregate trades only when we reasonably believe that the combination of the transactions provides better prices for clients than had individual transactions been placed for clients.

Transactions for non-discretionary client accounts are generally not bunched with transactions for discretionary client accounts. Transactions for the accounts of our Investment Adviser Representatives and employees may be included in bunched trades. They will receive the same average price and pay the same commissions and other transaction costs, as clients. Transactions for the accounts of our Investment Adviser Representatives or employees will not be favored over transactions for client accounts.

We are not obligated to include any client transaction in a bunched trade. Bunched trades will not be effected for any client’s account if doing so is prohibited or otherwise inconsistent with that client’s investment advisory agreement. No client will be favored over any other client.

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

Client accounts are reviewed periodically by Craig J. Klaas, President, or Maleeah L. Wernsing-Cuevas, Chief Executive Officer, with regard to each client’s respective investment policies and risk tolerance level. Reviews may be triggered by material market, economic or political events, or by changes in your financial situation (such as retirement, termination of employment, change of residence, or inheritance).





As previously noted, we strongly encourage you to advise us of any changes in your personal circumstances, your investment goals or objectives, and your risk tolerances to ensure that your investments and investment strategies are most appropriate for you. 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).

All written financial plans are reviewed upon completion and prior to presentation to clients by Craig J. Klaas, President, or Maleeah L. Wernsing-Cuevas, Chief Executive Officer.

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).

You will receive account statements directly from your account custodian. These statements will identify your current investment holdings, the cost of each of those investments, and their market values. Please review these carefully.

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

We do not currently compensate any unaffiliated persons or entities for referring clients to us. In the event we enter into such an agreement for solicitation of referrals, we will update this Item as necessary. Any solicitation arrangements we may enter into will comply with applicable rules that govern the nature of the solicitation arrangement, the fees to be paid, and the disclosure of the arrangement to clients.

We receive certain economic benefits as a result of our participation in Fidelity's institutional brokerage programs. We may also receive non-economic benefit from Money Managers we utilize in the form of the support products and services they make available to us. These benefits and related conflicts of interest are described in detail in the preceding section entitled "Brokerage Practices".

#### **Item 15. Custody**

Your assets are maintained with a qualified custodian. Klaas does not have physical custody of your assets but may be deemed to have custody when you authorize us to deduct advisory fees directly from your account. You will receive account statements from the custodian on at least a quarterly basis. We urge you to carefully review those statements. You should verify that the transactions in your account are consistent with your investment goals and objectives for your account.



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

We may only exercise discretion over your accounts if you have provided discretionary authority to us in writing. This authorization, if applicable, is set forth in your agreement with us.

Our advisory services through the KIP Wrap Fee Program are offered on a discretionary basis, meaning that we do not need advance approval from you to determine the type and amount of securities to be bought and sold for your account. We will exercise our discretion in a manner consistent with your investment objectives.

Typically, the Third-Party Money Manager (“Money Manager”) has the discretion to manage the assets within your account. All securities transactions are selected and executed by that Money Manager. We do not have discretion over the assets in accounts managed by a Money Manager. However, we do have the discretion to hire and fire Money Managers. Further information is provided in the KIP Wrap Fee Brochure, which is available upon request.

The discretionary authority you grant to us does not authorize us to choose the custodian through which transactions for your account will be executed or to negotiate brokerage fees or expenses. Additionally, our discretionary authority does not allow us to withdraw funds from your account (other than to withdraw our advisory fees which may only be done with your prior written authorization).

The services we provide through Klaas 360 and Klaas 401k are non-discretionary advice and consulting. We do not have the discretion to implement recommendations on your behalf without your consent.

In some limited circumstances, as a consideration and convenience, we may assist a client in establishing a brokerage account to hold investments over which we do not exercise discretion or provide ongoing supervisory management, and for which we do not collect a management fee. The client is solely responsible for the oversight and management of these assets.



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

Klaas 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.

In the KIP Wrap Fee Program, Money Managers will generally vote the securities in the portfolios they manage. Their proxy policies and procedures will be described in their respective disclosure brochures.

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

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you. We have not been the subject of any bankruptcy proceedings.