



Klaas Financial Asset Advisors, LLC

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## Disclosure Brochure

August 29, 2022

### Item 1. Cover Page

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 (877) 495-5227 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 a registered investment adviser registered with the SEC. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Klaas is also available on the SEC's website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov) by conducting a Firm search using our CRD No. 121399.



## 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.

Since the last annual update to our Disclosure Brochure dated March 31, 2022, we have made the following material changes:

- We have updated the description of our Klaas 401k retirement plan consulting services in Item 4, and clarified the Klaas 401k fee structure in Item 5.

We have made edits as necessary to correct typographical or grammatical errors, or to provide clarification where necessary. We do not consider these changes to be material.

As of December 31, 2021, we provided investment advisory services on approximately \$674 million in client assets for approximately 1,100 client households. This total represents approximately \$522 million in client assets under management through our discretionary asset management wrap fee program (Klaas Investment Portfolios – KIP), approximately \$97 million in assets under advisement through our non-discretionary retirement plan consulting services (“Klaas 401k”) for 18 retirement plans, and approximately \$56 million in assets under advisement through our non-discretionary Klaas Investment Consulting Services for brokerage customers. Furthermore, we provide financial planning and consulting services (“Klaas 360”) to approximately 38 client households.

Currently, our brochure may be requested by contacting us at (877) 495-5227 or [info@klaasfinancial.com](mailto:info@klaasfinancial.com), or by visiting our [website](https://www.klaasfinancial.com) at [klaasfinancial.com](https://www.klaasfinancial.com). The current brochure may be found under Downloads on the Resources tab. 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, which can also be found by visiting the Downloads page on the Resources tab of our [website](https://www.klaasfinancial.com).



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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 48.5% of the firm, Maleeah L. Wernsing-Cuevas owns 41.5% of the firm, and Kyle A. Kite owns 10% of the firm.

Klaas is registered as an investment adviser with the U.S. Securities and Exchange Commission (SEC). Our services include:

- **Klaas Investment Portfolios (“KIP”)** – Wrap-fee program offering discretionary portfolio management
- **Klaas 360** – Financial planning and consulting services
- **Klaas Investment Consulting Services** – Non-discretionary advisory services to brokerage customers
- **Klaas 401k** – Retirement plan consulting services

### **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. Details about the KIP Wrap Fee Program, including fees, is more fully described in the Wrap Fee Program Brochure, which is available upon request, or which can be found by visiting our [website](#) at [klaasfinancial.com](#). The current brochure may be found under Downloads on the Resources tab.

As of December 31, 2021, within the KIP Wrap Fee Program, we provided discretionary asset management on approximately \$522 million in client assets for approximately 1,100 client households. 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. You may choose to purchase any insurance products through any licensed agent.

Financial Planning and Consulting Services are typically billed on a fixed-fee or hourly basis, unless you elect the Ongoing Financial Services described below. If you don't elect the Ongoing Financial Services described below, the Financial Planning and Consulting Services are considered point-in-time advice, and we do not provide any ongoing monitoring or implementation of our recommendations. You will have 30 days following delivery of our recommendations to seek clarifications or present additional questions, and we will have an additional 30 days following any inquiries to resolve any outstanding issues. Typically, the Financial Planning Agreement will terminate 60 days following delivery of our recommendations.

## **Ongoing Financial Services**

For a monthly fee, you may elect to have us provide Ongoing Financial Services, which include assistance with the implementation and monitoring of your financial plan, or consulting on additional financial matters. With this service, you will also have access to Klaas Portal, a wealth management technology platform. Ongoing Financial Services include up to four hours of adviser consultation per



year; additional consulting time is billed at the hourly rate set forth in the Financial Planning Agreement. Ongoing Financial Services require a minimum 12-month commitment. After the initial 12-month period, the Financial Planning Agreement may be terminated upon written notice. However, you must provide notice of cancellation at least 10 days prior to any automatic monthly payment arrangement to allow timely processing of the cancellation.

## **Financial Institution Consulting Services**

We have entered into an agreement with Mutual Securities, Inc. ("Mutual Securities"), a registered broker-dealer, member FINRA, SIPC, to provide non-discretionary investment consulting services to certain of Mutual Securities' brokerage customers ("Brokerage Customers"). Brokerage Customers who elect this service provide written consent to Mutual Securities for us to provide services, and enter into a non-discretionary Investment Consulting Agreement with us.

For our services under the Investment Consulting Agreement, we offer to provide Brokerage Customers with periodic reviews, analysis, and recommendations regarding their holdings with Mutual Securities. The Brokerage Customers are solely responsible for all decisions relating to the implementation of the advice we provide.

As of December 31, 2021, we provided non-discretionary advice on approximately \$56 million in assets under the Klaas Investment Consulting Services.

## **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:

### **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, generalized asset allocation models, or interactive investment materials (e.g., questionnaires or worksheets).

- 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.



- Conduct individual meetings with participants in the Plan to provide information or answer questions regarding the Plan, give general financial and investment information, provide generalized asset allocation models, and offer assistance to participants through interactive investment materials (e.g., questionnaires or worksheets). Note that Klaas is unable to provide specific investment advice unless the participant enters into a separate advisory agreement with Klaas.

### **Investment Monitoring and Review Services**

As applicable, Klaas will assist the Plan Sponsor with the development of an Investment Policy Statement (IPS). The IPS outlines the process used by Klaas to review and monitor existing investment fund options in the Plan. Klaas will provide Plan Sponsor with periodic Plan Investment Review and Monitoring Reports that document investment performance, consistency of fund management, and conformance to the guidelines set forth in the IPS. As applicable, Klaas will use this report and other available investment reports and statistics to make recommendations to maintain or remove or replace investment fund options. The Plan Sponsor shall have the final decision-making authority regarding the retention, removal or replacement of investment fund options.

### **Investment Selection Services**

Klaas will analyze funds in the universe of investment fund options defined by Plan Sponsor or Recordkeeper, and make recommendations for investment fund options to be made available to Participants in the Plan. Plan Sponsor is solely responsible for reviewing Klaas's recommendations and making the final selection of investment fund options to be made available to participants in the Plan.

### **Additional Plan Services**

Klaas may provide additional services, as requested by the Plan Sponsor or as necessary based on the needs of the Plan and/or its Participants:

- Provide non-discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative (QDIA) for participants who otherwise fail to make an active investment election.
- Perform an Annual Plan Review, and meeting with Plan Sponsor to discuss key Plan demographics that relay to the overall health of the Plan.
- Perform Fee and Expense Benchmarking that will provide expense comparison to Plans of a similar asset size and participants. The Benchmarking helps to determine that Plans overall fees and expenses are reasonable.
- Provide Financial Wellness services and tools to the Plan for Participants.
- Provide Vendor Relationship Management to coordinate with the Recordkeeper and TPA (if appropriate) in servicing the Plan.
- Perform analysis of fees and expenses associated with service providers of the Plan. Provide searches and analysis of service providers by assisting the Plan with Requests for Proposals or Requests for Information as needed.

As of December 31, 2021, under the Klaas 401k services, we provided non-discretionary advice on approximately \$97 million in retirement plan assets for 18 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 Wrap Fee 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, or which can be found by visiting our [website](#) at [klaasfinancial.com](http://klaasfinancial.com). The current Wrap Fee Program Brochure may be found under Downloads on the Resources tab.

### Klaas 360 Financial Planning and Consulting Fees

#### Fixed Fees

We 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 invoiced upon completion of the plan and are generally due within 30 days of invoice. Fees may be negotiable based on the complexity of the client's needs 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 invoiced upon completion of the plan and are generally due within 30 days of invoice. Fees may be negotiable based on the complexity of the client's needs 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.

#### Ongoing Financial Services

For a monthly fee, you may elect to have us provide Ongoing Financial Services. 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 may be negotiable based on the complexity of the client's needs 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 obligated to continue to pay the monthly fee for the remainder of the twelve-month period. Clients must provide



written notice of cancellation at least ten business days prior to any automatic monthly payment arrangement.

### **Financial Institution Consulting Services Fees**

Mutual Securities pays us a consulting fee based on the assets under management from Brokerage Customers who have provided written consent to Mutual Securities to receive the investment consulting service from us, and have entered into an investment consulting agreement with us. Clients who receive this service do not pay us a fee directly, and the fees and expenses that Brokerage Customers pay to Mutual Securities related to their brokerage accounts are not higher or lower as a result of the investment consulting services that we provide. Clients may terminate the Investment Consulting Agreement with us at any time without penalty by providing written notice. In addition, the Investment Consulting Agreement will automatically terminate if the Brokerage Customer revokes written consent to Mutual Securities for us to provide investment consulting services, or if the Brokerage Customer closes the brokerage account(s).

### **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. Fees that are based on a percentage of assets under management are typically calculated on the total assets as of the last business day of each quarter; however, different billing arrangements may be available as mutually agreed to by Klaas and the Plan Sponsor. Fees for any partial quarter will be reduced on a pro rata basis. Fees may be billed in advance or in arrears, on a monthly or 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. The specific fee and fee billing arrangements are set forth in the investment consulting services agreement between Klaas and the Plan Sponsor.

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 Investment Adviser Representatives are licensed to sell insurance products. If you purchase an insurance product through one of our Investment Adviser Representatives who is a licensed insurance agent, the Investment Adviser Representative will earn a commission on such products. If you choose to purchase insurance products, you are not obligated to do so through our Investment Adviser Representatives or our firm.

When clients seek recommendations for third-party services providers - for example, insurance agents, estate planning attorneys, accountants ("Service Providers"), Klaas's Investment Adviser Representatives



may make referrals to Service Providers with whom Klaas has worked in the past, when appropriate for the client's situation. In some cases, Service Providers may participate in the Klaas Trusted Partners Program through which Klaas receives compensation for marketing the services of the Service Providers to clients. By participating in the Klaas Trusted Partners Program, Service Providers receive marketing benefits such as inclusion of their contact information on our website and participation as guest speakers in our educational webinars. This creates a potential conflict of interest for Klaas to refer clients to Service Providers who participate in the Klaas Trusted Partners Program. However, our compensation does not vary based on the number of client referrals, and clients are free to use the services of any Service Provider they choose, whether or not that Service Provider participates in the Klaas Trust Partners Program.

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 Asset Managers in our Wrap Fee Program;
- 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, and charitable organizations. In addition, we provide institutional consulting services to a broker-dealer.



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

## 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

Klaas generally employs 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.

Past performance is no indication of future performance, and we cannot offer any guarantees or promises that your goals and objectives will be met.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.** Investing carries the risk of loss of principal. Investments in securities are not guaranteed or insured by the FDIC or any other government agency.

### 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.

In addition to general market risks, investment strategies may be subject to the risk of loss arising from direct or indirect exposure to a number of types of catastrophic events, such as global pandemics, natural disasters, acts of terrorism, cyber-attacks, or network outages. The extent and impact of any such event on investment strategies will depend on many factors, including the duration and scope of the



event, the extent of any governmental restrictions, the effect on the supply chain, overall consumer confidence, and the extent of the disruption to global and domestic markets.

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

**Equity Securities** - Investing in individual stock positions involves inherent risk, including the potential for greater concentration risk related to a single company or business enterprise. Significant risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk, and liquidity risk. Equity securities are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Fund Securities** - Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund. Active mutual funds have higher fees and costs that can result in lower investment returns. Mutual funds are not guaranteed or insured by the FDIC or any other government agency.

**Exchange Traded Fund (ETF) Securities** - Exchange-traded funds are investment companies with shares that are bought and sold on a securities exchange. Generally, an ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, Powershares® and iShares®. Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Certain ETFs or ETNs employ leverage, which creates additional volatility and price risk. ETFs are not guaranteed or insured by the FDIC or any other government agency.

**Corporate Debt Securities, Commercial Paper, and Certificates of Deposit** - Fixed income securities carry different risks than those of equity securities described above. These risks include the company's or the government's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign), and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk. Corporate Debt securities are not guaranteed or insured by the FDIC or any other government agency.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

**Municipal Securities** - Municipal securities carry different risks than those of corporate government and bank-sponsored debt securities described above. These risks include the municipality's ability to raise



additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but can be taxable in individual states other than the state in which both the investor and municipal issuer are domiciled. Municipal securities are not guaranteed or insured by the FDIC or any other government agency.

**U.S. Government Securities** - U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

**Closed-End Funds** - A closed-end fund is a collective investment model based on issuing a fixed number of shares which are not redeemable from the fund. Unlike open-end funds, new shares in a closed-end fund are not created by managers to meet demand from investors. Instead, the shares can be purchased and sold only on the securities exchange where it maintains a listing. In the United States, closed-end funds sold publicly must be registered under both the Securities Act of 1933 and the Investment Company Act of 1940. The major risks of a closed end fund relate to general market risk, the underlying securities in the fund portfolio, future expectations of the performance of those underlying securities, the degree to which leverage is utilized, quality of the issuer's management, the issuer's ability to meet its contractual and operating obligations, and the overall credit risk of the issuer. Closed-End Funds are not guaranteed or insured by the FDIC or any other government agency.

## 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

We have an agreement with Mutual Securities to provide investment consulting services to its Brokerage Customers, as described in Item 4 above. Mutual Securities compensates us for providing investment consulting services to Brokerage Customers, as described in Item 5 above. We do not assume discretionary authority over Brokerage Customers' brokerage accounts or the monitoring of securities. These consulting services offered to Brokerage Customers may include a general review of their investment holdings, which may or may not result in our investment adviser representatives making specific investment recommendations or offering general investment advice.

The relationship with Mutual Securities presents a potential conflict of interest. We mitigate this potential conflict of interest by having Brokerage Customers consent to receive investment consulting services from us. We do not accept or bill for additional compensation on brokerage assets under management beyond the consulting fees disclosed in Item 5.

We are not affiliated with any broker-dealer, and we do not engage as or hold our firm out to the public as a securities broker-dealer. In addition, our investment adviser representatives are not registered representatives of any broker-dealer.

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**

Unless you grant us discretionary authority over your accounts through our KIP Wrap Fee Program, we do not have the authority over your accounts, without your specific consent, to determine the amount or types of investments to be bought or sold, the broker-dealer or custodian to be used, or the commission rates paid. For additional information on our wrap fee program, please see our Wrap Fee Program Brochure. 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.

In addition to brokerage and custody services, Fidelity provides access to investments generally available to institutional investors; research; software; and, educational opportunities. Fidelity also makes available or arranges 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 creates 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.

With regard to the services outlined in this Disclosure Brochure, we do not implement transactions. Therefore, we do not participate in any directed brokerage arrangements.

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

### **KIP Wrap Fee Program**

Please see our Wrap Fee Program Brochure for details on our review of accounts.

### **Klaas 360**

Unless you elect Ongoing Financial Services, once we deliver our recommendations, we will not monitor your investment accounts, and we will not perform an update of your financial plan unless you ask us to do so.

With Ongoing Financial Services, your financial plan will be reviewed periodically to monitor the implementation and progress toward your goals.

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 Kyle A. Kite, Director of Financial Planning. If he is unavailable or unable to review written financial plans, Craig J. Klaas, President, or Maleeah L. Wernsing-Cuevas, Chief Executive Officer, may also review financial plans.





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.

### **Financial Institution Consulting Services**

If you are a Mutual Securities' Brokerage Customer who elects to receive our non-discretionary advisory services, we will offer to provide a review, analysis, and recommendations regarding your brokerage account on at least an annual basis, or upon your request if a review is needed due to your financial circumstances. Our review findings will be delivered to you either verbally or in writing. It is your responsibility to implement our recommendations as you deem appropriate.

You will receive account statements directly from the sponsor of the brokerage product. These statements will identify the current investment holdings and their market values. We do not typically provide periodic reports for Brokerage Customers; however, if you are a Brokerage Customer and also receive Klaas 360 or KIP Wrap Fee Program Services from us, we may include information regarding your brokerage account in our aggregated reports as a courtesy to you for informational purposes.

### **Klaas 401k**

We will typically review of the investments in the Plan on a quarterly basis, or as specifically set forth in the agreement with the Plan Sponsor.

### **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 receiving client referrals, we will update this Item as necessary. Any referral arrangements we may enter into will comply with applicable rules that govern the nature of the referral 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. 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 we are 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**

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. Please see our Wrap Fee Program Brochure for additional details on our investment discretion.

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.

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

Because we do not require prepayment of advisory fees six months or more in advance, we are not required to provide a balance sheet.

We have not been the subject of any bankruptcy proceedings.