

## Klaas Financial Asset Advisors, LLC

4707 Perry Ridge Lane

Loves Park, IL 61111

Firm CRD No. 121399

June 30, 2023

### 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 Firm CRD No. 121399.

### Item 2. Material Changes

We deliver our 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, 2023, we have made the following material changes:

- We have updated the description of our Klaas 360 Financial Planning and Consulting Services in Item 4, and the description of related fees in Item 5. We offer Comprehensive Financial Planning on a fixed-fee basis. On a limited basis, we may also provide Project-Based Financial Consulting Services in certain circumstances for a fixed fee. Clients may also elect to receive Ongoing Financial Services for a monthly fee. Please see Items 4 and 5 for additional details.

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, 2022, we provided investment advisory services on approximately \$588 million in client assets for more than 1,000 client households. This total represents approximately \$478 million in client assets under management through our discretionary asset management wrap fee program (Klaas Investment Portfolios - KIP), approximately \$73 million in assets under advisement through our non-discretionary retirement plan consulting services (**Klaas 401K**) for 16 retirement plans, and approximately \$37 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 43 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 at [www.klaasfinancial.com](http://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 Brochure Supplement, which can also be found by visiting the Downloads page on the Resources tab of our [website](http://www.klaasfinancial.com).

### Item 3. Table of Contents

Item 1. Cover Page.....	1
Item 2. Material Changes.....	1
Item 3. Table of Contents.....	1
Item 4. Advisory Business .....	1
Klaas Investment Portfolios (KIP) – Wrap Fee Program .....	2
Klaas 360 – Financial Planning and Consulting .....	2
Ongoing Financial Services.....	3
Financial Institution Consulting Services.....	3
Klaas 401K – Retirement Plan Services.....	3
Item 5. Fees and Compensation.....	4
KIP Wrap Fee Program Fees.....	4
Klaas 360 Financial Planning and Consulting Fees .....	4
Financial Institution Consulting Services Fees.....	4
Klaas 401K Fees.....	4
Other Compensation.....	5
Item 6. Performance-Based Fees.....	5
Item 7. Types of Clients .....	5
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss. 5	5
Methods of Analysis.....	5
Investment Strategies.....	5
Risks of Specific Securities .....	6
Item 9. Disciplinary Information .....	6
Item 10. Other Financial Industry Activities and Affiliations.....	6
Item 11. Code of Ethics; Participation or Interest in Client Transactions and Personal Trading .....	7
Item 12. Brokerage Practices.....	7
Item 13. Review of Accounts .....	7
KIP Wrap Fee Program .....	7
Klaas 360 .....	7
Financial Institution Consulting Services.....	7
Klaas 401K.....	8
Item 14. Client Referrals and Other Compensation .....	8
Item 15. Custody .....	8
Item 16. Investment Discretion .....	8
Item 17. Voting Client Securities.....	8
Item 18. Financial Information.....	8

### 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, Kyle A. Kite is the firm's Chief Financial 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, 2022, within the KIP Wrap Fee Program, we provided discretionary asset management on approximately \$478 million in client assets for more than 1,000 client households. Discretionary asset management means 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 (**Klaas 360 Agreement**) with us.

##### Comprehensive Financial Planning Services

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 Klaas 360 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 your financial plan on the information 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 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 you notify us promptly of any changes so 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 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. You may choose to purchase any insurance products through any licensed agent.

Comprehensive Financial Planning Services are typically billed on a fixed-fee basis. If you don't elect the Ongoing Financial Services, the Comprehensive Financial Planning 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 Klaas 360 Agreement will terminate 60 days following delivery of our recommendations. Any additional Financial Planning Services requested more than 30 days following delivery of services will require the client to enter into a new Klaas 360 Agreement.

##### Project-Based Financial Consulting Services

On a limited basis, we may offer Project-Based Financial Consulting Services to provide guidance and support to individuals focusing on a specific financial topic or project. Depending on your specific needs, we will help develop strategies and provide recommendations for actionable steps to implement your strategies and help achieve your goals. Examples may include:

- Assisting heirs of a deceased client with determining options for the assets they have inherited.
- Developing a plan for reducing debt, establishing emergency savings, and future retirement savings.
- Providing guidance on educational funding options and establishing 529 plan accounts.

Project-Based Financial Consulting Services are typically billed on a fixed-fee basis, and are considered point-in-time advice. If you don't elect the Ongoing Financial Services, 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 Klaas 360 Agreement will terminate 60 days following delivery of our recommendations. Any additional Consulting Services requested more than 30 days following delivery



of services will require the client to enter into a new Klaas 360 Agreement.

#### 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 eight hours of adviser consultation per year; additional consulting time is billed at the hourly rate described in the Klaas 360 Agreement. Ongoing Financial Services require a minimum 12-month commitment. After the initial 12-month period, the Klaas 360 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 (**Consulting Agreement**) with us.

For our services under the 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, 2022, we provided non-discretionary advice on approximately \$37 million in assets under the Klaas Investment Consulting Services.

#### Klaas 401K – Retirement Plan Services

Klaas 401K is the brand name under which we provide services to the Plan Sponsors and Plan Participants of qualified retirement plans. The Employee Retirement Income Security Act of 1974, as amended (**ERISA**) sets forth rules under which Plan Fiduciaries may retain investment advisers for various types of services with respect to Plan assets. For certain services, Klaas will be considered a fiduciary under ERISA. Plan Sponsors who wish to engage our services to the Plan and its Participants will enter into a retirement plan services agreement (**Klaas 401K Agreement**) with us. Our services can be tailored to the Plan Sponsor's requirements and may be offered on either a discretionary or non-discretionary basis. In providing these services, we serve as a fiduciary as described in ERISA § 3(21). We may additionally serve as a discretionary investment manager as defined in ERISA § 3(38).

Our Klaas 401K program includes the services described below. Plan Sponsors 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. Participant Investment Education Services are not intended to be investment advice under the definition of fiduciary in ERISA section 3(21)(A)(ii), but are intended to be investment education as outlined in the Department of Labor

Interpretive Bulletin 96-1. These investment education services may include information about the plan, general financial and investment information, and/or generalized asset allocation models, or interactive investment materials (e.g., questionnaires or worksheets), but will not address the appropriateness for any individual investment option or model for any particular Participant.

- Assist Plan Sponsor with the development of communications and educational materials for Participants.
- Conduct seminars for Participants on investment issues relevant to the Plan and retirement planning in general (in group settings) upon Plan Sponsor's reasonable request.
- Conduct other periodic group education meetings as reasonably requested by Plan Sponsor.
- 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.
- Upon Plan Sponsor's reasonable request, 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 Selection Services

Upon Plan Sponsor's request, Klaas will analyze funds in the universe of funds defined by Plan Sponsor or the recordkeeper, and make recommendations for funds to be made available to Participants in the Plan. Under our non-discretionary service (**3(21) Fiduciary Service**), the Plan Sponsor is solely responsible for reviewing Klaas's recommendations and making the final selection of funds to be made available in the Plan.

Klaas may also assist the Plan Sponsor with selecting and retaining a discretionary Investment Manager, as defined in §3(38) of ERISA. We may be able to coordinate our services with the Investment Manager to help facilitate the implementation of our recommendations, as approved by the Plan Sponsor.

Under our discretionary service (**3(38) Fiduciary Service**), the Plan Sponsor appoints Klaas as its discretionary Investment Manager as defined in ERISA § 3(38). We have the full authority to select the investment options available in the Plan.

#### Investment Monitoring and Review Services

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 described 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. Under the 3(21) Fiduciary Service, the Plan Sponsor shall have the final decision-making authority regarding the retention, removal or replacement of investment fund options. Under the 3(38) Fiduciary Service, we have the full authority to remove or replace investment options available 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 advice 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 relate 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.

### Klaas 401K Assets Under Advisement

As of December 31, 2022, under the Klaas 401K services, we provided non-discretionary advice on approximately \$73 million in retirement plan assets for 16 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](https://www.klaasfinancial.com) at [klaasfinancial.com](https://www.klaasfinancial.com). The current Wrap Fee Program Brochure may be found under Downloads on the Resources tab.

### Klaas 360 Financial Planning and Consulting Fees

#### Comprehensive Financial Planning Services Fees

We charge a fixed fee for our services which is based on the complexity of the situation and the needs of the client, subject to a \$3,000 minimum fee. Typically, this fee will range between \$3,000 and \$10,000, 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 described in the fee schedule attached to the Klaas 360 Agreement. Clients may terminate the Klaas 360 Agreement without penalty within five business days of signing said Agreement. If the client terminates the Klaas 360 Agreement more than five business days after signing said Agreement, the client will be billed an amount equal to an hourly rate (as described in the Klaas 360 Agreement) times the number of hours of work that has been completed up to and including the date of termination.

#### Project-Based Fees

We charge a fixed fee for our Project-Based Consulting Services which is based on the complexity of the situation and the needs of the client,

subject to a \$300 minimum fee. The project scope and fee are agreed upon between us and the client, and will be described in the advisory agreement signed by the client. Fees are invoiced upon completion of the project and are generally due within 30 days of invoice. Fees may be negotiable based on the complexity of the client's needs and are described in the fee schedule attached to the Klaas 360 Agreement. Clients may terminate the Klaas 360 Agreement without penalty within five business days of signing said Agreement. If the client terminates the Klaas 360 Agreement more than five business days after signing said Agreement, the client will be billed an amount equal to an hourly rate (as described in the Klaas 360 Agreement) times the number of hours of work that has been completed up to and including the date of termination.

#### Ongoing Financial Services

You may elect to have us provide Ongoing Financial Services for a fee of \$200 per month. Fees are paid in advance on the first of every month with no refunds for partial months. Monthly fee arrangements require a minimum twelve-month purchase period. In addition to the monthly fee, Ongoing Financial Services require a \$600 implementation fee to cover the initial data gathering and configuration of your access to the Klaas Portal. This implementation fee is waived for clients who have received a Comprehensive Financial Plan, and may be waived for clients who have received a Project-Based Consulting Service, at Klaas's sole discretion. Fees for Ongoing Financial Services are non-negotiable and are described in the fee schedule attached to the Klaas 360 Agreement. Klaas may accept other fee payment arrangements at its sole discretion. Clients may terminate the Klaas 360 Agreement without penalty within five business days of signing said Agreement. If the client terminates the Klaas 360 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 a Consulting Agreement with us. Clients who receive this service do not pay us a fee directly, and the fees and expenses Brokerage Customers pay to Mutual Securities related to their brokerage accounts are not higher or lower as a result of the investment consulting services we provide. Clients may terminate the Consulting Agreement with us at any time without penalty by providing written notice. In addition, the 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 typically range between .05% to 1.0%, although in some instances fees could be higher or lower. Fixed fees are negotiated on a case-by-case basis. The specific fee is described





in the Klaas 401K Agreement between Klaas and the Plan Sponsor. Fees 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 typically paid in arrears, billed on a quarterly basis, although some Plans may have different fee payment arrangements. Fees 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 Klaas 401K Agreement between Klaas and the Plan Sponsor will outline the specific fees and billing arrangements.

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.

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 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 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 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, using broad asset allocation exposures, incorporating diversification across sources of risk and return, asset classes, countries, and sectors. Long-term trading is designed to capture market rates of both return and risk. Asset allocation and diversification are strategies designed to reduce risk, but they do not protect against losses.

##### Risks

**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.

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



Klaas generally recommends 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 catastrophic or geopolitical events, such as global pandemics, natural disasters, acts of terrorism, war, sanctions, 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.

### Risks of Specific Securities

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

**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.

### 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 of 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 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).

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 described in the Klaas 401K 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 governing the nature of the referral arrangement, the fees to be paid, and the disclosure of the arrangement to clients.

Clients occasionally seek recommendations for third-party service providers such as insurance agents, estate planning attorneys, or accountants (**Service Providers**), for assistance with carrying out our financial planning recommendations. We have developed the Klaas Professional Network (**KPN**), which is a list of Service Providers with whom Klaas has worked in the past and who we believe provide quality services to their clients. KPN is provided as a convenience to clients only, and clients are encouraged to perform their own due diligence on qualified professionals before engaging their services. Klaas and Service Providers agree to share information with each other, as authorized by the client, as necessary to provide coordinated services to clients. No monetary compensation is provided by either Klaas or Service Providers to participate in KPN.

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 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 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 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.

Klaas 401K Retirement Plan Services may be provided on a discretionary or non-discretionary basis, depending on the service selected by the Plan Sponsor. Our 3(21) Fiduciary Service is offered on a non-discretionary basis. The Plan Sponsor is solely responsible for reviewing our recommendations and making the final selection of funds to be made available in the Plan. Our 3(38) Fiduciary Service is offered on a discretionary basis, and the Plan Sponsor appoints Klaas as its discretionary Investment Manager as defined in ERISA § 3(38). We have the full authority to select the investment options available in the Plan.

#### Item 17. Voting Client Securities

Klaas does not accept voting authority for client proxies, and does not provide advice to clients on how to vote proxies. In addition, we do not take any action on behalf of clients or provide advice to clients with regard to any class action lawsuit or bankruptcy related to securities held in client accounts.

#### 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.