

**Royal American Financial Advisors, LLC  
A Registered Investment Advisor**

27192 Newport Rd., Suite 4  
Menifee, CA 92584

(951) 679-2065 Office

(951) 679-2660 Fax

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

2/15/2024

**ITEM 1 – COVER PAGE  
FORM ADV PART 2A  
BROCHURE**

This brochure provides information about the qualifications and business practices of Royal American Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (951) 679-2065. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Royal American Financial Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Royal American Financial Advisors, LLC is 111192.

Royal American Financial Advisors, LLC is a Registered Investment Advisor. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **SUMMARY OF MATERIAL CHANGES**

### **Item 2 – MATERIAL CHANGES**

Royal American Financial Advisors, LLC's Brochure has been updated with the following material changes that have occurred since the last update of our Brochure on 01/30/23.

This section is only for material changes since the last update.

Please see the full ADV Part 2A for complete details.

This is the annual updating amendment for year 2024, dated 02/15/24

#### **Summary of Material Changes:**

The Annual Advisory Fee for total assets under management for advisory accounts with custody at discount brokers and insurance companies is 1.0%.

Platinum Plus Flat Fee Investment Advisory Services, Investable assets \$1,000,001 to \$1,500,000: \$2,500 per quarter flat fee. Investable assets \$1,500,001+ shall have negotiated flat-fees

Royal American Financial Advisors, LLC requires an account minimum of \$250,000.

Insurance Agency Affiliation Royal American Insurance Services, LLC page 18

You were provided a copy of the form ADV Part 2 when you first started your advisory account with us.

**Each year we are required to offer a copy of our most recent Form ADV Part 2A, 2B, and 2A Appendix 1. Our Form ADV Part 2A, 2B, and 2A Appendix 1 has been updated for 2023. Our current disclosures and information about our company are set in Form ADV and is available for your review and no charge upon request.** If you would like a copy please feel free to call our office at (951) 679-2065, or e-mail [scott@royalam.com](mailto:scott@royalam.com).

A copy of the ADV is also available on our website at [www.myinvestmentcoach.com](http://www.myinvestmentcoach.com) in the footer of each page. Or, you can visit the SEC's website to obtain more information about the firm and Form ADV at, <http://www.adviserinfo.sec.gov>.

### Item 3 - Table of Contents

<b>Item 4 - Advisory Business.....</b>	<b>1</b>
<b>Item 5 - Fees and Compensation .....</b>	<b>7</b>
<b>Item 6 - Performance-Based Fees and Side-By-Side Management.....</b>	<b>10</b>
<b>Item 7 - Types of Clients.....</b>	<b>10</b>
<b>Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>11</b>
<b>Item 9 - Disciplinary Information.....</b>	<b>20</b>
<b>Item 10 - Other Financial Industry Activities and Affiliations .....</b>	<b>20</b>
<b>Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>21</b>
<b>Item 12 - Brokerage Practices .....</b>	<b>22</b>
<b>Item 13 - Review of Accounts.....</b>	<b>24</b>
<b>Item 14 - Client Referrals and Other Compensation.....</b>	<b>25</b>
<b>Item 15 - Custody .....</b>	<b>27</b>
<b>Item 16 - Investment Discretion.....</b>	<b>27</b>
<b>Item 17 - Voting Client Securities.....</b>	<b>27</b>
<b>Item 18 - Financial Information.....</b>	<b>28</b>
<b>Item 19 - Requirements for State-Registered Advisers .....</b>	<b>28</b>
<b>Additional Information.....</b>	<b>28</b>

## Advisory Business

Form ADV Part 2A, Item 4

- A.** Royal American Financial Advisors, LLC (the Advisor) is a fee only Registered Investment Advisor. Royal American Financial Advisors, LLC was founded in 1999. The principal owner of the firm is Scott Buchanan.
- B.** Royal American Financial Advisors, LLC provides Investment Supervisory Services through clearing arrangements with discount or full service broker/dealers and/or trust companies to hold and value account owner's securities, and/or through various insurance companies that allow for the management and valuation of account owner's annuity accounts. Royal American Financial Advisors, LLC will not act as a custodian for any account and utilizes custodian services of discount brokers, or directly at mutual fund companies, and/or insurance companies for the custody of all account owner's funds and securities. Royal American's investment advice will be mostly limited to investment allocation services, primarily in mutual funds, exchange traded funds, or annuities. Royal American does not believe stock picking or market timing can reliably enhance long term returns (and may even be detrimental), because these activities require a forecast of the future. We believe these activities increase risk and add unknown and unnecessary risks. Royal American will not provide stock picking or market timing, or other similar services. Royal American does not believe anyone can reliably predict or forecast the future over the long term, and that investors and advisors that engage in these activities, increase risk and reduce potential long term returns. All material conflicts of interest under CCR Section 260.238(k) are disclosed regarding our firm, our representatives and any employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

### Client Education and Investor Coaching

Royal American believes that investor education and coaching is critical to lifetime investment success. We believe that investment education and investor coaching is the best defense to imprudent investing and costly investor behavior issues. Royal American provides clients consistent and ongoing education and investor coaching with educational videos on our website, [www.myinvestmentcoach.com](http://www.myinvestmentcoach.com), and with investor educational classes online, or at our client Investor Education events from time to time. Royal American believes that imprudent investor behavior is one of the biggest costs investors face during a lifetime of investing. We will provide ongoing educational and investor coaching services in groups and online as part of our advisory services to help investors avoid the potential for costly mistakes from imprudent investor behavior.

### Consultations

Royal American Financial Advisors, LLC is available for independent investment or financial consultations to the general public. Fees for a financial consultation are charged at \$250.00 per hour. Fees are negotiable and initial consultations are usually done at no cost. The amount of time needed for the consultation will be estimated in writing, in advance.

### **Consultations are available for:**

- **Independent third party investment advice:** Investment analysis of your advisor's or broker's investment recommendations analyzed by a third party before investing. We will help you determine the advantages, disadvantages, costs, and risks of any particular investment you have been offered.
- **Independent third party financial and/or insurance advice:** If you are confused about what has been recommended to you by an advisor, broker, planner, or insurance agent, we can analyze your recommendations and give you an unbiased opinion of the advantages and disadvantages of the recommendations to help you make an informed decision. We will show you what to look for and the important questions to ask your advisor, broker, planner, or insurance agent about their recommendations and their recommended financial products. We will watch your financial back.

### **Portfolio Selection**

Prior to selecting a portfolio allocation, the Advisor will help the client determine the most suitable portfolio(s) and/or make specific recommendations by obtaining the appropriate financial and personal information from the investor. This may include (but not limited to) things like investment time horizon, investment experience, title and ownership of assets, net worth, risk tolerance, insurance situation, tax considerations, current income, current assets, current debt, financial needs, as well as any reasonable restrictions that the client wishes to impose upon the management of the portfolios. **Note: All of the items above may not be necessary to determine the proper portfolio allocation for the client.**

The Advisor helps the client determine the proper portfolio with information provided by the client at the time of the initial portfolio selection. **Thereafter, it remains the client's responsibility to advise the Advisor and/or Royal American of any changes in the client's financial situation or objectives that may impact the need to change the investment strategy, such as the need to reduce risk that is not related to market timing.**

### **Communications and Reporting**

Royal American is responsible for frequent and open communications with the client on all significant matters pertaining to investments including: (1) any major changes in investment strategy and portfolio structure, and (2) fee reports on a calendar quarter basis.

### **Platinum Plus Flat Fee Investment Advisory Services:**

Royal American offers flat fee advisory services for high net worth individuals with investable assets of \$1,000,000 and up. We will limit the availability of the Platinum Plus program to 40 clients per Advisor.

Any account, or portion of client's investable assets, may be discretionary or non-discretionary as determined by the client at the time the advisory agreement is made. The advisory agreement may be amended in writing with both parties signing a new agreement with changes made. The client may place reasonable restrictions in writing on the discretionary portion of the Platinum Plus Investment Advisory Services.

**Benefits of the Platinum Plus Advisory Service may include:**

- Reduced fees due to flat fee structure.
- Reduced potential conflicts of interest due to flat fee structure.
- Monitoring of client's other advisors (behind the scenes or in the open) to help the client ask important questions and make important decisions regarding third party advisor recommendations.
- Screening of investment opportunities often pitched to high net worth individuals for advantages and disadvantages.
- Ability of the Advisor to offer unbiased investment advice because decisions, deposits, and withdrawals by the client, will not (in most cases) effect our compensation.

**Royal American Discretionary Advisory Accounts:**

Royal American will manage different model portfolios on a discretionary basis. The models may consist of mutual funds, exchange traded funds, closed end funds, and/or separate account funds only. Each client has the ability to impose reasonable restrictions on the management of the account. There is no pooling of client's assets. Each client will have a separate account at the custodian. Each client is given a copy of Royal American Financial Advisors, LLC Form ADV Part 2A, Part 2B and Part 2A, Appendix 1.

Details regarding the management of the discretionary accounts can be found in the ADV Part 2A Appendix 1, which is provided to each client considering investing in the allocations. Current holdings and allocations are subject to change at any time, without notice.

**C.** The Advisor helps each client determine the appropriate portfolio for their risk category by helping the client to evaluate their time horizons, investment objectives, and by showing the historical volatility measurements (standard deviation) of the various model portfolios. See page 2, portfolio selection for additional details.

**Unsupervised Assets**

Clients may hold certain securities in their brokerage accounts in which Royal American does not provide investment advisory services ("Unsupervised Assets"). Royal American will request that any such client confirm in writing the identity of any Unsupervised Assets in advance, in the advisory agreement. Royal American does not provide investment advisory services of any kind with regard to Unsupervised Assets and no investment advisory fee will be charged on such assets. Royal American will have no duty, responsibility or liability with respect to the Unsupervised Assets and will not take the Unsupervised Assets into consideration when managing the portion of the account for which it provides investment advice. Unsupervised Assets will be locked from trading until client provides written instructions to Royal American to sell the Unsupervised Assets and rebalance into the supervised allocation.

**D. Third Party Money Managers:**

Royal American Financial Advisors, LLC will recommend different model portfolios managed by Royal American, and/or other third party money managers deemed suitable for our clients. There may be additional fees to third party advisors, over and above the fees to Royal American, and will be disclosed to the prospective client prior to investing in any third party program.

Royal American earns the same advisory fee whether a client's account is managed directly by Royal American, or through one of the portfolios managed through a third party money manager. There is no financial incentive to recommend one portfolio over another.

**E. Assets Under Management**

As of 02/15/24:

\$ 285,070 Non-Discretionary

\$97,611,898 Discretionary

\$97,896,968 Total

### **Royal American eMoney Program**

Royal American Financial Advisors, LLC, at no extra cost to its clients, provides our clients with their own private and secure personal financial website.

#### **Some of the benefits and features of Royal American eMoney include:**

- Organized financial life on your own safe and secure personal website.
- Financial snapshot updated daily, for you, your spouse, and/or children. Simplify your life and simplify their lives.
- Peace of Mind: A surviving spouse knows where to find everything, organized in one secure place.
- Peace of Mind: Surviving children will know where to find everything. Leave instructions for a successor trustee, and/or surviving children on how to access the site (put instructions in a safe deposit box, with your living trust, or you can give them limited access to your site with their own user name and password).
- Everything you own and owe, that is connected, in one place, updated daily.
- Monitor all your accounts and net worth.
- Monitor transactions for multiple accounts in one place, and set alerts.
- Create a budget and monitor spending.
- Private and secure electronic vault to store and share documents.
- Time Saver: Once the initial set up is completed (with our assistance), there will be no need to input data into antiquated Word docs, or Excel spread sheets. Now you will have more time to enjoy life, enjoy your retirement, spend time with family, or if you are a busy professional, you will have more time for your career and/or taking care of your children.

We believe, the more we know about a client's current and future circumstances, the better we can serve them, and the better our recommendations will be. We believe it is best to utilize this program to the fullest extent possible. When doing so, we as your advisors can help you with advanced planning and budgeting. Clients can also take advantage of some of these advanced features when utilizing the program to its fullest capabilities.

Clients whose relationship is terminated with Royal American Financial Advisors, LLC will not be able to continue to access their Royal American eMoney website after termination. Clients who choose to terminate their relationship with Royal American Financial Advisors, LLC, at any time, for any reason may seek continued access to their data directly from eMoney. Since the data platform is maintained by eMoney, not by Royal American Financial Advisors, LLC, we are unable to provide either electronic or hard copy downloads of documents to former Clients. However, it is Royal American's understanding that eMoney will, upon written request from a Client, transfer Client's stored data electronically to another money manager, if such manager has entered into an agreement with eMoney to provide its own clients with a data storage platform, and such data is still stored by eMoney. If no such relationship exists, we understand that eMoney will provide former Clients with a hard copy of their personal data upon written request in accordance with applicable law, assuming that the information is still stored on the eMoney platform. However, Royal American Financial Advisors, LLC will not be responsible for any fees associated with former Clients' requests to eMoney to move their stored documents, whether in electronic or hard copy format, upon termination of their relationship with us. Royal American will delete client data on the eMoney platform upon termination.



## **Royal American eMoney: Security Overview**

### **Your Information is Secure with eMoney: An overview of the security built into your personal website**

No one will have access to your password except you. Your password is only known by you. In addition, to your own personal password, there is another layer of protection with security questions, and 2-Factor authentication. The security question answers would only be known by you. After 3 consecutive login attempts fail, the system locks your account, blocking programmed hacking attempts.

The highest level encrypting technology available scrambles your information from unauthorized users into an unusable format. Your personal website is certified hacker safe. **Even then, we do more.**

This is a non-transactional site. No one (including you as the client and Royal American Financial Advisors, LLC), can move money, access your accounts, or withdraw money from your personal website. There are no social security numbers, credit card numbers, or account numbers on this site, stored by Royal American. This is an information only site, so you can stay in control of your financial life and so your advisor can better serve you and your family.

More information about the features, benefits, and capabilities of Royal American eMoney can be found on our website at: <http://www.myinvestmentcoach.com/eMoney.html>

We believe the more we know about a client's current and future circumstances, the better we can serve them, and the better our recommendations will be. We believe it is best to utilize this program to the fullest extent possible. When doing so, we as your advisors can help you with advanced planning and budgeting. Clients can take advantage of some of these advanced features when utilizing the program to its fullest capabilities. This is an optional service and clients can also choose which accounts they wish to connect, or not to connect to Royal American eMoney, other than what is managed by Royal American Financial Advisors, LLC.

## ***Fees and Compensation***

Form ADV Part 2A, Item 5

**A. The Annual Advisory Fee for total assets under management for advisory accounts with custody at discount brokers is 1.0%. Royal American does not receive any compensation from custodians.**

The Advisor may make amendments to this schedule of fees at any time with sufficient written notice to the client. Fees are paid quarterly in advance.

### **Fee Calculation**

**Standard Fee Calculation for Advisory Accounts with Custody at Discount Brokers or for Variable Annuities:** Advisory fees for the quarter are billed in advance and are calculated according to the fee schedule in the advisory agreement. The calculation is based upon the fair market value of Portfolio Assets in the account, as shown on the quarter end statement provided by the custodian. This value is then multiplied by the annual advisory fee divided by four. This result is the amount due the Advisor as compensation for the next quarterly period. Fees are negotiable depending upon other factors, such as account size. Clients should take a moment to verify the accuracy of the fee calculation. The custodian of the account will not verify the accuracy of these fee calculations. If there are any questions regarding the invoice or fee calculation, contact us at (951) 679-2065.

**The Annual Advisory Fee for total assets under management for no-commission fixed annuities, or fixed index annuities is 1.0%. Advisory fee includes annuity advice, research, processing and set up, and all future advice on annuity while subject annuity is in force.**

### **Fee Calculation**

**Standard Fee Calculation for Advisory Accounts in Fixed or Fixed Index Annuities:** The advisory fee will be billed on a semi-annual basis, starting on the date of issue on the annuity contract. Advisory fees are billed in advance and are calculated according to the fee schedule in the advisory agreement. The calculation is based upon the fair market value of the assets in the annuity account, as shown on the annual statement and semi-annual valuation provided by the insurance company. This value is then multiplied by the annual advisory fee divided by two. This result is the amount due the Advisor as compensation for the next semi-annual period. Client may choose to pay the advisory fee annually, if the annual fee is less than \$1,200.00. Fees are negotiable depending upon other factors, such as account size. Clients should take a moment to verify the accuracy of the fee calculation. The custodian of the account will not verify the accuracy of these fee calculations. If there are any questions regarding the invoice or fee calculation, contact us at (951) 679-2065.

**Platinum Plus Flat Fee Investment Advisory Services:**

Royal American offers flat fee advisory services for high net worth individuals with investable assets of \$1,000,000 and up. The annual fixed (flat) fee is billed in advance on a quarterly basis.

**Platinum Plus Flat Fee Calculation:**

The billable amount is first determined by adding the total of all investable assets. The annual fee is then determined, and agreed to in writing, in the advisory agreement. The quarterly fee is determined by dividing the annual flat fee by four.

**Flat Fee Structure for Platinum Plus Services:**

Investable assets \$1,000,001 to \$1,500,000: \$2,500 per quarter flat fee

Investable assets \$1,500,001+ shall have negotiated flat-fees

Any account, or portion of the client's investable assets, may be discretionary or non-discretionary as determined by the client at the time the advisory agreement is made. The advisory agreement may be amended in writing with both parties signing a new agreement with changes made. The client may place reasonable restrictions in writing on the discretionary portion of the Platinum Plus Investment Advisory Services. There may be additional one time flat fees for special projects requested by the Client, such as comprehensive estate planning. Our flat fee program is negotiable. The minimum investable assets and flat fee can be adjusted at the discretion of the Advisor, and may be available to clients with investable assets under \$1,000,000, including but not limited to other factors such as, scope of work, the complexity of client's financial circumstances, or length of time as a client of Royal American. Any additional fees will be disclosed and agreed upon in writing, in advance. We will limit the availability of the Platinum Plus program to 40 clients per Advisor to help assure quality service.

**Other Compensation Disclosure**

Royal American will not accept any commissions, fees, or incentives from any third parties or financial institutions. Our compensation is not affected by financial products or incentives. By making this commitment to not accept compensation from third parties, we eliminate potential conflicts, so you can have confidence we are making decisions in your best interest. We will only accept compensation from clients. All advisory fees shall be disclosed in advance.

**Consultations by Hourly Fee**

Royal American Financial Advisors, LLC is available for independent investment or financial consultations to the general public. Fees for a financial consultation are charged at \$250.00 per hour. Fees are negotiable and initial consultations are usually done at no cost. The amount of time needed for the consultation will be estimated in writing, in advance.

### **FINANCIAL PLANNING SERVICES FEES NO ONGOING MONITORING**

The Advisor will charge an hourly rate of \$375.00 per hour for financial planning services. The Advisor will notify the Client in advance and give the Client a written estimate for financial planning services.

#### **Financial Planning Disclosure:**

Financial planning fee is a one-time fee for a specific project or snap shot it time. Ongoing monitoring is specifically EXCLUDED from this scope of engagement.

### **FINANCIAL PLANNING SERVICES FEES WITH ONGOING MONITORING**

#### **Annual Fee for Ongoing Planning Services: \$2,500.00 billed at time of delivery**

**Financial Planning Disclosure:** Financial planning fees are not advance fees, and are not subject to refunds. Financial plan will be monitored on an annual basis. Advisor will review all client's investment accounts (including accounts with outside advisors/brokers/agents), tax return, and any life changes that may cause advisor to change recommendations. Advisor shall request a review meeting within 30 days after the anniversary date of the initial plan. The Client shall do his/her best to make time for the planning review meeting within the 30 day period. It is the Client's responsibility to inform the Advisor of any Material Changes that have occurred in the Client's circumstances. The Advisor will make updates in any changes and/or recommendations, and/or progress towards Client's goals, within 30 days of the planning review meeting.

#### **Comparable Services**

Subsection (j) of Rule 260.238, California Code of Regulations requires that all investments advisers disclose to their advisory clients that lower fees for comparable services may be available from other sources.

Pursuant to §260.235.2 CCR, a conflict exists between the interests of the investment adviser or associated persons and the interest of the client; the client is under no obligation to act upon the investment adviser's or associated person's recommendation; if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser, the associated person when the person is an agent with a licensed broker-dealer or through any associate or affiliate of such person. Royal American seeks to avoid conflicts of interest when possible and is not affiliated with a broker-dealer.

**B.** For investment allocation services and Platinum Plus advisory services, the client authorizes the Advisor's fee to be paid directly from the client's account held by an independent custodian. Fees will be noted on the client's quarterly statement from the custodian. The Advisor will also send a quarterly fee statement showing the amount of the advisory fee, the value of the client's assets upon which the fee was based, and the manner in which the Advisor's fee was calculated. Advisory fees are billed quarterly in advance. Clients should take a moment to verify the accuracy of the fee calculation. The custodian of the account will not verify the accuracy of these fee calculations. Should there be any questions regarding the invoice or fee calculation, contact us at (951) 679-2065. For hourly consultations, clients are billed as fees are incurred, and will be billed direct.

**C.** Nominal transaction fees, and/or other fees charged by the custodian, are in addition to advisory fees. Fees and charges will be noted on the client custodian statements and/or confirmations. Clients may incur certain charges imposed by third parties in connection with their investments including, but not limited to, mutual fund fees or commissions, surrender charges, deferred sales charges, 12(b)-1 fees, variable annuity sales

commissions, qualified retirement account fees, spread costs, and transaction ticket charges. See Item 12, which discusses selection of brokerage services, for additional information.

#### **D. TERMINATIONS AND REFUNDS**

Advisory fees are billed in advance. Investment advisory agreements may be terminated at any time by either of the parties upon written notice to the other. Said termination shall be effective immediately, or on an agreed upon date. Since fees are billed in advance, any accounts closed during the middle of a quarter will be refunded the advisory fee paid from the closing date to the end of the quarter based upon the total days remaining in the quarter. The daily amount to be refunded to the client will be determined by the amount the client paid in advance for the full quarter, and divided by the total days in the quarter.

**E.** Royal American's advisors are not dually registered or affiliated with a broker/dealer and do not accept compensation on the sale of securities products, mutual funds, or variable annuities.

### ***Performance-Based Fees and Side-By-Side Management***

Form ADV Part 2A, Item 6

Royal American Financial Advisors, LLC does not accept performance based fees.  
This section is not applicable.

### ***Types of Clients***

Form ADV Part 2A, Item 7

Royal American Financial Advisors, LLC primarily advises individual, trust, and estate clients.

#### **Minimum Account Size:**

Royal American Financial Advisors, LLC requires an account minimum of \$50,000. However, Royal American may choose to reduce the account minimum based upon certain criteria including, but not limited to, anticipated future earning and saving capacity, anticipated future additional assets, related accounts, etc..

Royal American serves both the small investor with asset allocation services and investments, and the high net worth investor with Royal American's Platinum Plus services.

The minimum portfolio size for our flat fee Platinum Plus services is \$1,000,000.00. However, the minimum investable assets and flat fee can be adjusted at the discretion of the Advisor, and may be available to clients with investable assets under \$1,000,000, including but not limited to other factors such as, scope of work, the complexity of client's financial circumstances, or length of time as a client of Royal American.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Form ADV Part 2A, Item 8

### **A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

#### **Advisor, Manager and/or Fund Selection**

Royal American does not make asset allocation decisions based on the conditions of the economy or the markets. Royal American reviews and selects funds, and/or managers for its portfolios based upon a variety of criteria. Some of the most important criteria being, but not limited to, diversification of asset classes, turnover ratio, consistency in the fund's category over a period of years, all things being equal a lower expense fund, risk measurements, the experience of the manager, the tenure of the manager, a change in the objective of the fund, the category of the fund, etc. We may replace the fund or manager if any of our criteria are not being met over several quarters. Model allocations are subject to change without notice.

#### **Main Sources of Information For Investment Selection**

Royal American utilizes computer software from Morningstar Advisor Workstation that generates portfolio snapshots and important details on each portfolio and individual holding for analysis by Royal American. Morningstar Advisor Workstation software is updated monthly and is paid for by Royal American with hard dollars directly from our firm.

#### **Investment Strategies**

##### **Royal American Brokerage Account Options (from lower risk to higher risk):**

**Note:** You may have a different objective in different accounts. You cannot combine models in the same account. Conservative investors are limited to Royal American 35/65 model.

##### **Royal American 35/65**

**Risk Objective Category:** Conservative Income & Growth (low to moderate risk only)

The percentages of asset classes will vary, depending upon the percentages in the individual fund holdings. Royal American will generally keep equity (stock) exposure approximately 35% in the Royal American 35/65 objective, both domestic and international, rebalancing back to targets on a quarterly basis, if necessary. These weightings are guidelines and actual percentages may vary within reasonable parameters.

##### **Royal American 50/50 & Royal American 60/40**

**Category:** Balanced Growth

The percentages of asset classes will vary, depending upon the percentages in the individual fund holdings. Royal American will generally keep equity (stock) exposure approximately 50% in the Royal American 50/50 objective and 60% in the Royal American 60/40, both domestic and international, rebalancing back to targets on a quarterly basis, if necessary. These weightings are guidelines and actual percentages may vary within reasonable parameters.

##### **Royal American 70/30**

**Risk Objective Category:** Long-Term Growth

The percentages of asset classes will vary, depending upon the percentages in the individual fund holdings. Royal American will generally keep equity (stock) exposure approximately 70% in the Royal American 70/30 objective, both domestic and international, rebalancing back to targets on a quarterly basis, if necessary. These weightings are guidelines and actual percentages may vary within reasonable parameters.

**Royal American Aggressive 85/15****Risk Objective Category:** Aggressive Risk

The percentages of asset classes will vary, depending upon the percentages in the individual fund holdings. Royal American will generally keep equity fund (stock) exposure approximately 85% in the Royal American Aggressive 85/15 objective, both domestic and international, rebalancing back to domestic and international targets on a quarterly basis, if necessary. The Aggressive Category may contain a money market fund with a balance of up to 2%. These weightings are guidelines and actual percentages may vary within reasonable parameters.

**Royal American Aggressive 100****Risk Objective Category:** Aggressive High Risk

The percentages of asset classes will vary, depending upon the percentages in the individual fund holdings. Royal American will generally keep equity fund (stock) exposure approximately 100% in the Royal American Aggressive 100 objective, both domestic and international, rebalancing back to domestic and international targets on a quarterly basis, if necessary. The Aggressive Category may contain a money market fund with a balance of up to 2%. These weightings are guidelines and actual percentages may vary within reasonable parameters.

**Royal American Low Cost Variable Annuity Program Options (from lower risk to higher risk):**

**Note:** You may have a different objective in different accounts. You cannot combine models in the same account. Conservative investors are limited to Royal American 35/65 model.

**Royal American 35/65****Category:** Conservative Income & Growth (low to moderate risk only)

The percentages of asset classes will vary, depending upon the percentages in the individual fund holdings. Royal American will generally keep equity (stock) exposure approximately 35% in the Royal American 35/65 objective, both domestic and international, rebalancing back to targets on a quarterly basis, if necessary. These weightings are guidelines and actual percentages may vary within reasonable parameters.

**Royal American 50/50 & Royal American 60/40****Category:** Balanced Growth

The percentages of asset classes will vary, depending upon the percentages in the individual fund holdings. Royal American will generally keep equity (stock) exposure approximately 50% in the Royal American 50/50 objective and 60% in the Royal American 60/40, both domestic and international, rebalancing back to targets on a quarterly basis, if necessary. These weightings are guidelines and actual percentages may vary within reasonable parameters.

**Royal American 70/30****Category:** Long-Term Growth

The percentages of asset classes will vary, depending upon the percentages in the individual fund holdings. Royal American will generally keep equity (stock) exposure approximately 70% in the Royal American 70/30 objective, both domestic and international, rebalancing back to targets on a quarterly basis, if necessary. These weightings are guidelines and actual percentages may vary within reasonable parameters.

**Royal American Aggressive 85/15****Category:** Aggressive Risk

The percentages of asset classes will vary, depending upon the percentages in the individual fund holdings. Royal American will generally keep equity fund (stock) exposure approximately 85% in the Royal American Aggressive 85/15 objective, both domestic and international, rebalancing back to domestic and international targets on a quarterly basis, if necessary. These weightings are guidelines and actual percentages may vary within reasonable parameters.

**Royal American Aggressive 100****Category:** Aggressive High Risk

The percentages of asset classes will vary, depending upon the percentages in the individual fund holdings. Royal American will generally keep equity fund (stock) exposure approximately 100% in the Royal American Aggressive 100 objective, both domestic and international, rebalancing back to domestic and international targets on a quarterly basis, if necessary. These weightings are guidelines and actual percentages may vary within reasonable parameters.



## **Investment Policy Statement and Investment Policy Guidelines**

An Investment Policy Statement will be established with each new client to conform to the client's investment objectives. The purpose of the statement is to clarify responsibilities (for both the Advisor and the client), and establish guidelines and standards for the prudent investment of the client's assets. These guidelines provide stability in the portfolio's management to guide the Advisor in selecting the appropriate holdings for the portfolio's stated goals and objectives. This policy-driven approach helps to reduce the client's and investment manager's tendency to act impulsively during volatile markets. The policy also provides parameters for the portfolio by setting standards for selecting appropriate investment holdings. Finally, the Investment Policy Statement is a crucial tool for setting and establishing expected portfolio standards and goals.

## **DUTIES AND RESPONSIBILITIES OF THE ADVISOR AND THE CLIENT**

### **Duties and Responsibilities of the Client**

The client must provide the Advisor with all relevant information on financial condition, net worth, and risk tolerances, and must notify the Advisor promptly of any changes to this information. The Investor should read and understand the information contained in the prospectus of each fund in the Portfolio selected.

**It is the responsibility of the client to ignore short term market fluctuations, remain a disciplined investor, control emotions, and focus on the time horizon necessary to obtain the potential portfolio objectives.**

### **Duties and Responsibilities of the Investment Advisor**

Royal American Financial Advisors, LLC (the Advisor) is responsible for assisting the Client in making an appropriate portfolio selection decision based on the particular needs, objectives, and risk profile of the Client. The Advisor will be available to meet with the Client and periodically review the Portfolio for suitability based on information provided by the Client. The Advisor is responsible for keeping the risk profile in line with the investment objectives of the Model Portfolios. **It is also the responsibility of the Advisor to help the Client ignore short term market fluctuations, ignore forecasts and predictions of the future, and remain a disciplined investor by controlling emotions, and focusing on the time horizon necessary to obtain the potential portfolio objectives.**

Royal American believes that investor education and coaching is critical to lifetime investment success. We believe that investment education and investor coaching is the best defense to imprudent investing and costly investor behavior issues. Royal American provides clients consistent and ongoing education and investor coaching with educational videos on our website, [www.myinvestmentcoach.com](http://www.myinvestmentcoach.com), and with investor educational classes online, or at our client Investor Education events from time to time. Royal American believes that imprudent investor behavior is one of the biggest costs investors face during a lifetime of investing. We will provide ongoing educational and investor coaching services in groups and online as part of our advisory services to help investors avoid the potential for costly mistakes from imprudent investor behavior.

### **Communications and Reporting**

Royal American is responsible for frequent and open communications with the client on all significant matters pertaining to investments including: (1) any major changes in investment strategy and portfolio structure, and (2) fee reports on a calendar quarter basis.

### **Time Horizon and Frequent Trading**

Investing for a shorter time horizon than your chosen risk objective calls for, can add additional risks that objectives may not be met. Short term performance is of little relevance and performance goals should be measured over the stated objective's minimum time period. In order to keep costs down and taxes lower, Royal American Financial Advisors, LLC does not implement frequent trading strategies. Frequent trading increases transaction costs and taxes which can also reduce performance. Royal American Financial Advisors, LLC believes that frequent trading also increases risks associated with market timing and stock picking, as they both require a forecast of the future. Royal American Financial Advisors, LLC does not believe anyone can reliably forecast the future over the long term, and that investors and advisors that engage in these activities, increase risk and reduce potential long term returns.

### **Weighting**

The percentages of asset classes will vary, depending upon the percentages in the individual fund holdings. Royal American will generally keep the following equity (stock) exposure:

Royal American 35/65: Approximately 35%

Royal American 50/50: Approximately 50%

Royal American 60/40: Approximately 60%

Royal American 70/30: Approximately 70%

Royal American 85/15: Approximately 85%

Royal American Aggressive 100: Equity Fund Exposure 100% (may contain up to 2% in a money market fund)

The remaining percentages may be in other asset classes such as bonds, cash, currency, commodities, and real estate, both domestic and international. These weightings are guidelines and actual percentages may vary within reasonable parameters.

### **Market Timing**

When implementing our strategies and selecting a portfolio, the client acknowledges the futility of short-term trading as embodied by market timing and trying to forecast (or predict) the future. The client also acknowledges the additional risks inherent with these strategies, like selling at market lows and buying back in when markets are higher, due to human emotions. Royal American will not engage in market timing strategies, and instead use rebalancing strategies to manage risk and manage potentially costly investor behavior.

### **Manager Restrictions**

The Manager will not invest directly in derivatives, short sales, options, or margin transactions. Some of the underlying funds may concentrate their investments in various industries or sectors and may have the authority to invest in derivative instruments, options, or futures, to seek to increase the return of the fund and/or to protect the value of its assets. While the goal is to reduce risk and/or increase return, the potential risk of using these instruments is reduced returns and increased risk.

### **Rebalancing**

Rebalancing techniques will be used to establish target percentages in each investment and acceptable deviation from targets will be set. Royal American will seek to rebalance this portfolio in a low cost fashion. Rebalancing will be employed to first keep portfolio risk parameters in line. When Royal American rebalances an account, it sells holdings that are appreciating in value to buy other holdings that may be declining in value. This investment philosophy helps the portfolio to be positioned in various asset types so that when the asset type becomes profitable, the account is positioned to take advantage of the upturn. Royal American uses systematic disciplined rebalancing strategies in order to eliminate the need to try to predict the future, and attempting to get in and out of the markets at the right time.

### **Money Market Funds**

Money market funds may comprise from approximately 2% of the portfolio's assets for risk reduction, liquidity and diversification. These percentages are guidelines and actual percentages may vary within reasonable parameters. These percentages do not include money market or cash that may be held in the funds within the portfolios. Money market holdings may reduce total returns in rising stock markets. Money market funds also reduce portfolio risk and volatility. Money market funds can also aid a rebalancing strategy by having cash available. This allows us to rebalance some cash into stocks during down periods. This could slightly enhance the return potential during recovery periods and also potentially shorten the time period for recovery.

### **Diversification**

The portfolios will diversify and seek to reduce risk and volatility by investing in funds that may contain stocks, bonds, cash, currency, commodities, and real estate, both domestic and international. There may be additional risks when investing globally and in high book to market stocks, such as value investing strategies. However, Royal American Financial Advisors, LLC believes it is better to remain diversified globally, and with this additional diversification, risk can be reduced over time with discipline and rebalancing strategies. With a global strategy, there may be times when global investments underperform U.S. markets for extended periods of time, and vice versa. Likewise, there may be periods of time when value investing underperforms growth investing strategies for extended periods of time, and vice versa. Royal American Financial Advisors, LLC believes these periods of time cannot be determined in advance and it is the primary reason for implementing diversification and systematic disciplined rebalancing strategies. This can help to avoid the guess work and the additional risk that comes with trying to forecast the future, and then attempting to pick the asset classes in advance based upon this forecast. If you or anyone could predict the future, then diversification would not be necessary. Royal American Financial Advisors, LLC does not believe anyone can reliably forecast or predict the future, and therefore we believe diversification with rebalancing is a better and more prudent strategy to maintain over a lifetime than other strategies that require a forecast of the future. Offsetting correlation of asset classes are included to help reduce portfolio volatility and risk when possible. Investing in one asset class (a non-diversified portfolio) increases risk and may cause large portfolio losses. Therefore, diversification is used to reduce the risk that any one asset class may cause large portfolio losses. However, diversification may also reduce shorter term returns, as there may be one or more asset class in a diversified portfolio that may not be performing well. Even so, we believe that it is still more prudent for an investor to remain diversified for a lifetime than to speculate in a non-diversified portfolio.

## **B. MATERIAL RISKS AND RISK OF LOSS**

### **Understanding the Investment Objectives**

No one investment guarantees both the greatest returns and absolute protection from all risk. Royal American Financial Advisors, LLC recognizes that your two basic goals are capital growth and preservation of capital. The investment objectives below allow you to choose how much emphasis you want placed on growth and how much on preservation of capital by reducing the risk of capital loss. Each involves a different approach to managing your funds in order to reach your goal.

#### **Conservative Income & Growth: Time horizon of 3 to 5 years.**

This objective is to minimize capital fluctuations while attempting to deliver a rate of return in excess of inflation as measured by the consumer price index (C.P.I.). The choice of this objective indicates a realization that the Account Owner's portfolio must stay ahead of inflation to make any real gains. While this approach will provide the least amount of capital fluctuation, the possibility of negative returns is not eliminated, only reduced. This approach does imply a substantial reduction of capital growth when compared to the stock market. **This objective fits with a time horizon of three to five years.** Investing for a shorter time horizon can add additional risks that objectives may not be met.

This portfolio will have reduced equity risk and exposure. Over the long-term, investors are subject to inflation risk. The focus is on lower volatility when compared to the balanced growth portfolio.

**Investment Risk:** While our managers strive to reduce risk through diversification, there will be periods of negative returns in the overall portfolio. Investing involves risk. You may receive more or less than the amount invested when redeeming shares.

#### **Balanced Growth: Time Horizon 5+ years.**

This objective has two purposes: to preserve capital and to obtain capital growth. This objective indicates a need for a balance between capital preservation and long-term growth, and will result in Royal American Financial Advisors, LLC choosing less volatile investment strategies than an investor would have with a 100% stock or stock fund portfolio. The risk will be greater when compared to the Conservative Income and Growth objective. The risk of capital loss and negative returns cannot be eliminated, but with this choice, your portfolio will be subjected to less capital risk than is characteristic of the stock market. **To achieve these returns, no less than a full economic market cycle (through recession and expansion) of five or more years is required.**

The focus is on lower risk and volatility when compared to a 100% equity non-diversified portfolio. The Balanced Growth objective seeks to provide much lower risk and more consistent performance than a stock fund portfolio by diversifying and investing in funds that may contain stocks, bonds, cash, currency, commodities, and real estate, domestic and international. The portfolio is designed for investors that want to invest in the stock and bond markets, but desire smoother returns. This portfolio will have lower returns than a rapidly rising stock market, and should have less downside than a rapidly falling stock market.

**Investment Risk:** While our managers strive to reduce risk through diversification, there will be periods of negative returns in the overall portfolio. Investing involves risk. You may receive more or less than the amount invested when redeeming shares.

**Long-Term Growth: Time horizon of 6 to 9 years.**

This objective provides a reasonably high rate of growth without the full degree of risk usually found in the stock market. The primary goal is long-term capital growth while the secondary goal is preservation of capital. In order to achieve long-term capital growth, greater volatility, including the risk of negative returns, will be encountered than with the choice of prior objectives. This objective does not, however, expose investors to the full capital risk of the stock market. Returns will not compare with the stock market on a year to year basis, but should be less volatile than stock market returns. **Six to nine years may be required to achieve this objective.** Investing for a shorter time horizon can add additional risks that objectives may not be met. Annual withdrawals may not be appropriate with this objective due to the short-term volatility of the stock market.

The focus is on lower risk and volatility when compared to a 100% equity non-diversified portfolio. The focus is on higher volatility and higher return potential when compared to the balanced growth portfolio. This portfolio will be medium to high risk with significant exposure to equities worldwide. Annual withdrawals may not be appropriate due to the volatility.

**Investment Risk:** While our managers strive to reduce risk through diversification, there will be periods of negative returns in the overall portfolio. Investing involves risk. You may receive more or less than the amount invested when redeeming shares.

**Aggressive Growth: Time Horizon 10+ years.**

Capital growth is the only goal in this objective. The investor must also accept the high degree of risk and volatility inherent in the stock markets. This 100% equity fund objective provides the greatest growth potential when compared to an allocation that contains a greater percentage of fixed income. This portfolio exposes the Account Owner to the greatest degree of volatility. The focus the Account Owner's portfolio will be primarily in equity funds to help produce better long-term returns. **This is a long-term investment strategy of at least ten years.** Investing for a shorter time horizon can add additional risks that objectives may not be met. Annual withdrawals may not be appropriate with this objective due to the short-term volatility of the stock market. The Aggressive Category may contain a money market fund with a balance of up to 2%.

The focus is greater exposure to equity funds in the portfolio for maximum growth potential and little emphasis on short term capital preservation. The focus is on higher volatility and higher return potential when compared to the long-term growth portfolio. This portfolio will be high risk with significant exposure to equities worldwide. Subject to low inflation risk over the long-term. Annual withdrawals may not be appropriate due to the volatility.

**Investment Risk:** While our managers strive to reduce risk through diversification, there will be periods of negative returns in the overall portfolio. Investing involves risk. You may receive more or less than the amount invested when redeeming shares.

No single investment guarantees both the greatest returns and absolute protection from all risk. Royal American recognizes that there are two basic goals: (1) Capital growth, and (2) Preservation of capital. The different investment portfolios we provide, allow you to choose how much emphasis you want placed on growth

and how much on preservation of capital by reducing the risk of capital loss. Each involves a different approach to managing your funds in order to reach your goal. Some portfolios have more volatility and risk than others. Careful selection should be made so the Client can remain disciplined through the inevitable downside volatility.

Investing involves risk of loss. Clients should be prepared to hold their portfolios through inevitable downside volatility in these risk portfolios in order to capture the potential for longer term average returns. Our managers strive to reduce risk through the appropriate risk category for each individual client, as well as diversification and rebalancing strategies. However, there will be periods of negative returns in the overall portfolios. You may receive more or less than the amount invested when redeeming shares. Portfolio goals and objectives cannot be guaranteed and may or may not be achieved.

### **C. TYPES OF ASSETS AND OTHER MATERIAL RISKS**

The types of assets will primarily include the use of exchange traded funds, mutual funds, and/or closed end funds. The equity funds will be diversified across large-and-small company stocks (domestically and internationally) with an emphasis on value stocks (potentially undervalued stocks given the financial strength of the company). The bond allocation (fixed income) will emphasize shorter term maturities (5 years or less) to reduce risk and volatility. However, the portfolios may also have some higher risk bond exposure in intermediate terms and international bonds. The portfolios will diversify by investing in funds that may contain stocks, bonds, cash, currency, commodities, and real estate, both domestic and international. There are additional risks when investing globally and in high book to market stocks, such as value investing strategies.

There may be additional risks when investing globally and in high book to market stocks, such as value investing strategies. However, Royal American Financial Advisors, LLC believes it is better to remain diversified globally, and with this additional diversification, risk can be reduced over time with discipline and rebalancing strategies. With a global strategy, there may be times when global investments underperform U.S. markets for extended periods of time, and vice versa. Likewise, there may be periods of time when value investing underperforms growth investing strategies for extended periods of time, and vice versa.

Royal American Financial Advisors, LLC believes these periods of time cannot be determined in advance and it is the primary reason for implementing diversification and rebalancing strategies. This can help to avoid the guess work and the additional risk that comes with trying to forecast the future, and then attempting to pick the asset classes in advance based upon this forecast. If you or anyone could predict the future, then diversification would not be necessary. Royal American Financial Advisors, LLC does not believe anyone can reliably forecast or predict the future, and therefore we believe diversification with rebalancing is a better and more prudent strategy to maintain over a lifetime than other strategies that require a forecast of the future.

### ***Disciplinary Information***

Form ADV Part 2A, Item 9

No disciplinary actions or information.

### ***Other Financial Industry Activities and Affiliations***

Form ADV Part 2A, Item 10

**A.** Royal American Financial Advisors, LLC is a fee only Registered Investment Advisor and is not affiliated with a broker/dealer. To reduce potential conflicts of interest, Royal American advisors will not be dually registered as commission registered representatives of broker/dealers.

**B.** Royal American Financial Advisors, LLC or its advisors are not registered, or do not plan on becoming registered as a futures commission merchant, commodity pool operator, or commodity trading advisor.

#### **C. Related Persons**

**Law Firm Affiliation:** Royal American is not affiliated with any law firm. Royal American Financial Advisors, LLC does not give legal advice and only utilizes independent law firms for asset protection and estate preservation services. These services may include, but not limited to, family limited partnerships, formation of corporations or limited liability companies, revocable living trusts, charitable remainder trusts, irrevocable life insurance trusts, and the like. Attorneys offered to clients to provide legal advice will be paid separate and typical compensation. However, no client is obligated to use any of these individuals to provide legal services. Royal American will not receive any compensation from any law firms.

**Insurance Agency Affiliation:** When a client, or potential client, has a need for life insurance and/or fixed annuities, Royal American Financial Advisors, LLC may recommend fixed annuities and/or life insurance products to clients through Royal American Financial Advisors, LLC, if no commission insurance products are available. If, in rare instances, there are commission based insurance products that are better for the client than comparable no commission insurance products, Royal American Financial Advisors may offer hourly rate services to assist the client in locating high quality life insurance and/or annuity products. Royal American Financial Advisors, nor its affiliate Royal American Insurance Services will accept any compensation or incentives from any third parties in relation to such transactions or recommendations to reduce or eliminate potential conflicts of interest and work in the client's best interest. If any commissions are obtained by Royal American Insurance Services, LLC in connection with a transaction, such commissions shall be rebated back to the client, if allowed by State law. The purpose for our affiliate, Royal American Insurance Services, LLC will be to facilitate the acquisition of fee only no commission insurance products, and/or have licensing to be able to consult on insurance products for a fee.



**D.** Royal American may recommend other third party advisors or money managers from time to time. We reduce, or eliminate, this potential conflict of interest, by maintaining the same fee structure payable to Royal American, whether managed by us, or a third party manager. All advisory fees are disclosed in advance.

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

Form ADV Part 2A, Item 11

**A.** As a Registered Investment Advisor, Royal American Financial Advisors, LLC and its advisors are fiduciaries. It owes its clients the highest duty of loyalty and relies on each employee to avoid conduct that is or may be inconsistent with that duty.

#### **Basic Principles**

This Code is based on a few basic principles that should pervade all investment related activities of all employees, personal as well as professionals:

- The interests of the Advisor's clients come before the Advisor's or any employee's interests.
- Each employee's professional activities and personal investment activities must be consistent with this Code of Ethics and avoid any actual or potential conflict between the interests of clients and those of the Advisor or the employee.
- Those activities must be conducted in a way that avoids any abuse of an employee's position of trust with and responsibility to the Advisor and its clients, including taking inappropriate advantage of that position.

Royal American will provide a copy of our Code of Ethics to any client or prospective client upon request.

**B.** Royal American does not sell or recommend to clients, securities that we, or a related person, has a material financial interest.

**C.** Advisors may (and are encouraged to) invest in the same model portfolios we recommend to our clients, primarily in mutual funds and low cost exchange traded funds, in the model portfolios. Royal American does not believe this is a conflict of interest and demonstrates the strength of our convictions in our recommendations.

To the extent there may be a conflict of interest, we have adopted the following policies on personal account trading.



### **Personal Account Trading and Investment Policy**

It is the Advisor's policy to impose specific requirements related to each advisor's (and covered person's) personal trading and investment activity. The Advisor's policy is to consider the effects of various types of trading, including short term trading and trading in initial public offerings, as a potential conflict of interest. Similarly, the Advisor may impose specific requirements related to investments in private placements, if any. Personal securities transactions when investing in securities (other than mutual funds), must be approved by a principal of the firm in advance.

Approval may be refused for any proposed trade by an employee that:

- Involves a security that is being (or has been) purchased or sold by the Advisor on behalf of any client account or is being considered for purchase or sale (other than mutual funds or ETFs).
- Is otherwise prohibited under any internal policies of the Advisor (such as the Advisor's Policy and Procedures to Detect and Prevent Insider Trading).
- Breaches the employee's fiduciary duty to any client.
- Is otherwise inconsistent with applicable law, including the Advisers Act and the Employee Retirement Income Security Act of 1974, as amended.
- Creates an appearance of impropriety.

Since model portfolios managed by Royal American (for the most part) only contain mutual funds with end of day pricing, and/or ETFs with intra-day pricing, allocation and pricing issues are seldom, if ever an issue.

If there are buys or sells at or about the same time for securities other than mutual funds with end of day pricing, then block trades may be executed. All clients and advisors (and covered persons) will be treated equally in any block trade. If a block trade is unavailable, or not practical, the client transaction will be given priority and completed first before an advisor (and covered persons) transaction in the same security.

Royal American Financial Advisors, LLC will maintain a list of all securities holdings for itself and for advisors and employees of the company. These will be reviewed on a quarterly basis by principals of the company for potential violations of our policy.

## ***Brokerage Practices***

Form ADV Part 2A, Item 12

### **A. Brokerage Selection**

A broker/dealer, or custodian account, is necessary for the establishment of an investment advisory relationship for custody of client's assets. Client's approval of broker/dealer, or custodian, is by a signed application for establishing an account with that broker/dealer, or custodian.

**Factors for Selection of Broker/Dealer or Custodian:**

In selecting a broker/dealer, or custodian, the Advisor will comply with its fiduciary duty to obtain best execution and with the provisions of action 28(e) of the Securities Exchange Act of 1934.

Some of the factors may include:

- Financial strength, reliability, technology, and reputation.
- The ability to effect transactions, particularly with regard to such aspects as timing, order size, and execution of order, pricing, and service.
- The research and related brokerage services provided by such broker/dealer to the Advisor, even if that the account may not be the direct or exclusive beneficiary of such services.
- The ability of Royal American to purchase on behalf of its clients, no load funds without transaction charges, no load funds at nominal transaction charges, and load waived funds without commissions.
- Any other factors the Advisor considers to be relevant for its clients.

Comparable services for lower fees may be available at other sources and Clients may be able to execute the same types of transactions and pay lower transaction fees at other qualified broker/dealers. In seeking the best execution for our clients, the determinative factor is not the lowest possible cost, but whether the transaction represents qualitative execution, taking into consideration the full range of services, including execution capabilities, service, and responsiveness. Although Royal American seeks competitive rates, it may not necessarily obtain the lowest possible commission rate or transaction fee. Transaction fees and/or other fees charged by custodian are in addition to advisory fees.

Since Royal American trades primarily in mutual funds and no commission ETFs on behalf of clients, and since brokerage fees for mutual funds are generally established by the mutual fund sponsor and set forth in the funds' prospectuses, Royal American does not generally consider all of the factors associated with best execution when deciding to purchase or sell securities. For purchases and sales of securities other than mutual funds, Royal American acknowledges that clients may be able to obtain lower brokerage transaction or custody fees with other brokerage firms or custodians than those recommended by Royal American. However, Royal American believes that the arrangements it has in place with the discount brokers we recommend, generally provide best execution for clients, quality services, and good pricing.

1. **Research and Other Soft Dollar Benefits:** Royal American seeks to avoid potential conflicts of interest and does not accept soft dollar benefits, products, or other services in connection with client securities transactions from broker/dealers.

Royal American does not use client brokerage commissions (or mark ups or markdowns) to obtain research or other products or services.

2. Royal American seeks to avoid conflicts of interest and does not receive referrals from custodians or broker/dealers in return for recommending custodians or broker/dealers. Royal American does not have a financial incentive to recommend one custodian or broker/dealer over another.
3. Royal American recommends discount brokers for our clients that invest in our model portfolios that we manage directly. Royal American Financial Advisors, LLC recommends Nationwide Life Insurance Company for low cost, no surrender charge, variable annuity contracts. Royal American may recommend other insurance companies for low cost variable annuity contracts that may have other client features and benefits not available at Nationwide. Not all advisors require clients to use a specific broker/dealer. Royal American does not receive financial incentives for recommending broker/dealers. We do however recommend certain broker/dealers to make our practice more efficient. For example, the ability to trade all accounts on one broker/dealer system creates more efficiency. By directing clients to one brokerage firm, we may be unable to achieve better execution of Client transactions, and this may or may not cost clients more money. This is less of an issue with mutual fund end of day pricing and by using no transaction fee mutual funds and ETFs (whenever possible).

By using larger discount brokers, we feel the potential cost savings issue by using another broker is somewhat mitigated, and may result in cost savings for some clients that moved from more expensive broker/dealers. Royal American does not permit clients to choose direct brokerage other than what we recommend. We feel with the discount brokers we utilize, that there would not be a significant cost savings for the client, and it would result in significant inefficiencies in our practice and in turn affect our abilities to serve our clients.

**B.** When possible, the Advisor may aggregate buy or sell transactions (block trading), for multiple accounts in the same security, on the same day with the directed broker. The Advisor will execute block trading where the following conditions are met: All clients receive equal treatment.

If block trading or aggregation is not utilized, some clients may receive better pricing than other clients when trading the same security at or around the same time of day. This is not an issue with securities that have end of day pricing for everyone (such as mutual funds).

### ***Review of Accounts***

Form ADV Part 2A, Item 13

**A.** Brokerage accounts are reviewed on a daily basis for cash flows and transactions. A principal of the firm will continuously review underlying securities and/or managers in each model portfolio no less frequently than on a monthly basis. Advisory personnel periodically meet to determine if any changes in the portfolios are necessary, and if so implement those changes. Accounts are also reviewed on a quarterly basis for necessary rebalancing, and rebalanced when deemed necessary by the portfolio manager. Rebalancing is accomplished by reallocating assets to the original asset targets, within reasonable parameters.

Changes in the portfolio, which include adding, removing, or replacing securities at the discretion of Royal American, are made infrequently and may be based on:

- Significant changes in the economic, financial, or political climate.
- Significant changes in the tax code.
- Changes in the management of the securities held inside the portfolios that no longer match the goals and objectives of the portfolio.
- Changes in the client's personal circumstances, including health, employment, financial, marital, and family status.
- Other relevant issues that may be unknown at the present time.

Royal American may replace a particular security if it significantly diverges from its original strategy in terms of risk or return, and/or holdings, and/or frequency of trading, and replace it with a security that is more in line with the previous risk/return profile, and portfolio goals and objectives.

**Reviewers:** Scott Buchanan

Reviewers are Managing Members and principals in the company and have the responsibility of reviewing clients accounts and the portfolio allocations. Reviews and servicing are also conducted by client's Investment Advisor Representative, if other than the principals of the company.

**B.** Client reviews are offered quarterly and recommended annually, or when significant changes occur in a client's financial situation, or should market, economic, or political events dictate a basis for a client review, or when client requests a review. The client waives their review option by default, when choosing to not complete their Annual Review Request Sheet mailed to the client each quarter. It is the client's responsibility to contact their Investment Advisor Representative when changes occur (of which the Advisor may be unaware), in their investment objectives, needs, goals and risk tolerance, to discuss their options and, if necessary, make changes to their portfolio.

**C.** Clients are provided with regular summary account statements directly from their custodian and/or broker/dealer for each account, on a monthly or quarterly basis, depending upon the custodian's procedure.

### ***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

**A.** Royal American seeks to avoid economic benefits from non-clients for providing investment advice or other advisory services to our clients. Royal American has made it a policy not to accept any sales awards or prizes of monetary value.

However, all of the custodians used by our clients provide Royal American with various data services, which may include file downloads, on-line services, rebalancing software, and cost basis software at a discounted fee (or free of charge). They also provide us with services typically provided to institutional investment managers (which generally are not provided to retail customers). These services include duplicate client statements and confirmations, access to a trading desk for client services, access to block trading (which allows us to trade the same security in multiple accounts around the same time with equal pricing for all clients), the ability to have advisory fees deducted directly from client accounts, and access to mutual funds and ETFs with no transaction fees or commissions, of which some of these services benefit our clients.

#### **B. Solicitor Fees for Client Referrals**

When a client is introduced to Royal American by either an affiliated or unaffiliated solicitor, Royal American may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state requirements.

**The referral fee shall be paid solely from Royal American's investment management fee, and shall not result in any additional charge to the client. The fee you pay for the Advisor's services is the same whether you come to the Advisor directly, or place your business through a solicitor.**

If the client is introduced to Royal American by either an affiliated or unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her relationship, and shall provide prospective client with a written copy of Royal American's solicitor disclosure statement, and have the client sign a copy of the disclosure statement. Solicitor shall also provide a copy of Royal American's most current Form ADV Part 2A, Part 2A Appendix 1, and Part 2B. The written solicitor disclosure statement shall disclose to the client the terms of the solicitation arrangement between Royal American and the solicitor, including any compensation.

For its client solicitation and referral services, a solicitor may be eligible for a referral fee. This fee is to be paid quarterly from fees collected by the Advisor from the client that was referred by the solicitor. This fee may be up to 50% of the fee paid to Royal American Financial Advisors, LLC according to the Advisor's fee schedule in the advisory agreement signed by the client. The solicitor will not be compensated from any third party management fees, if any.

A solicitor is not a licensed Investment Advisor Representative. The solicitor cannot provide any general investment advice to you, and cannot recommend the purchase or sale of any security to fund your account. The solicitor is not authorized to provide investment advice to any client on behalf of Royal American Financial Advisors, LLC.

We do have Registered Investment Advisors at the office to help you with any advice you may need in assisting you with your transfer. We welcome your call: (951) 679-2065

### ***Custody***

Form ADV Part 2A, Item 15

Royal American Financial Advisors, LLC does not have custody of client's funds or securities.

### ***Investment Discretion***

Form ADV Part 2A, Item 16

#### **DISCRETIONARY ACCOUNT AUTHORITY**

When the client grants Royal American discretionary authority, it is agreed by the client and Advisor that the Advisor shall supervise and direct investments of and for the client's account on a discretionary basis, without prior consultation with the client. The discretionary authority is subject to such limitations and restrictions the client may impose to the Advisor, in writing, in the advisory agreement. The Advisor's discretionary authority is also subject to the portfolio goals and objectives as agreed upon by the Advisor and the client.

Discretionary authority makes the Advisor the agent (and attorney-in-fact) with limited power and authority in connection with the client's account (to buy, sell, exchange, convert, and otherwise trade in all securities or cash as the Advisor may select).

The client approves the discretionary authority by signing a discretionary investment advisory agreement with Royal American, and limited power of attorney with the custodian or broker/dealer on a new account application. This authority shall continue until written cancellation by the client or the Advisor.

### ***Voting Client Securities***

Form ADV Part 2A, Item 17

#### **PROXY VOTING**

- A.** Royal American Financial Advisors does not retain the authority to vote client securities.
- B.** The Advisor claims no ownership rights, by virtue of its advisory relationship, to any client securities. Each client retains all incidental rights of ownership, including the right to vote on issues concerning the securities in the client's account. The Advisor shall have no authority or obligation to take any action or render any advice with respect to the voting of proxies. Clients may call Royal American for general advice on where to get more information. Clients will receive their proxies directly from their custodians or transfer agents.  
You expressly retain the authority and responsibility for the voting of such proxies.

## ***Financial Information***

Form ADV Part 2A, Item 18

Royal American Financial Advisors, LLC does not require prepayment of more than \$1,200 in fees per client, six months or more in advance. This section is not applicable.

## ***Requirements for State-Registered Advisers***

Form ADV Part 2A, Item 19

### **A. Education and business background for Royal American Financial Advisors, LLC principals who determine general investment advice given to clients:**

**SCOTT CHRISTIAN BUCHANAN**                      **BORN: 1979**  
Principal, Royal American Financial Advisors, LLC

#### **Education:**

San Jacinto Community College 1997-1998, 2003 & 2004 General Education  
American College (Certified Financial Planner curriculum completed in 2006)

#### **Business Background:**

Royal American Financial Advisors, LLC 04/2004 to present  
Royal American Insurance Services, LLC 04/2004 to present  
Capital Growth Resources, Registered Representative, 06/2007 to 07/2009  
Raymond James Financial Services, Insurance Agent, 08/1999 to 01/2004

**B.** See ADV Part 2A, Item 10 C, Real Estate Affiliation

**C.** Not applicable.

**D.** Not applicable.

**E.** Not applicable.

## ***Additional Information***

### **Potential Conflicts of Interest:**

- Even fee based accounts have potential conflicts of interests. For example, when a client wants to withdrawal money from a fee based account (for any variety of reasons), it will reduce an advisor's compensation. Client's should take into account advice from advisors and the potential conflict when withdrawing money from their accounts. However, we have a fiduciary duty to our clients, and will endeavor to make unbiased recommendations regarding the issue of withdrawing your money from your accounts. This potential conflict will not discourage us from advising a client when we believe they are making a mistake, for example, spending beyond their means, or moving to an inappropriate investment. Our Platinum Plus flat fee program for higher net worth clients seeks to reduce or eliminate

this potential conflict of interest. In our flat fee accounts, decisions, deposits, and withdrawals by the client, will not (in most cases) effect our compensation.

- When a client, or potential client, has a need for life insurance and/or fixed annuities, Royal American Financial Advisors, LLC may recommend fixed annuities and/or life insurance products to clients through Royal American Financial Advisors, LLC, if no commission insurance products are available. If, in rare instances, there are commission based insurance products that are better for the client than comparable no commission insurance products, Royal American Financial Advisors, LLC may recommend fixed annuities and/or life insurance products to clients through Royal American Insurance Services, LLC. When recommending life insurance or fixed annuities, clients will receive a disclosure stating the affiliation with Royal American Insurance Services, LLC. Clients are not obligated to utilize Royal American Insurance Services, LLC or its products for their insurance product purchases. It is understood that Royal American Insurance Services, LLC's agents will receive separate and typical compensation for any insurance and/or annuity implementations made by its clients. Commissions on life insurance and annuities are contractually fixed by the insurance company. The commission would be paid to an agent regardless of the agent chosen to facilitate a transaction.

Royal American Insurance Services, LLC is a California licensed Insurance agency operating under California license #0C91955. For independent third-party good standing verification you can call the California Department of Insurance in Sacramento at (916) 322-3555. [www.insurance.ca.gov](http://www.insurance.ca.gov) or e-mail [license.bureau@insurance.ca.gov](mailto:license.bureau@insurance.ca.gov).

- While we believe our fees are fair and reasonable, comparable services for lower fees may be available at other sources. An investor's participation in the programs may cost the investor more or less than purchasing such services separately, or investing on their own.
- If a client has over \$1,000,000 in fee based accounts through Royal American and has not signed up for our Platinum Plus services, such client will pay more in total advisory fees. Although some clients may not desire to participate in our Platinum Plus program, all clients with over \$1,000,000 must be advised of the existence of the Platinum Plus program as a vehicle to save money on fees.

**Potential conflicts of interest, continued:**

- The Advisor may provide certain select Clients with financial planning services, and the recommendations may result in additional fees for the Advisor. In such a case, a conflict exists between the interests of the Advisor or associated persons and the interest of the Client; the Client is under no obligation to act upon the Advisor's or associated person's recommendation; if the Client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the Advisor, or the associated person. When making recommendations that you invest in a fee based account, there may be a potential conflict of interest. We will earn a fee on the recommendations. It may or may not be in your best interest to act on the recommendations. As a



fiduciary, we will endeavor to act in the best interest of all our clients, regardless of the potential for conflicts of interest regarding compensation.

### **Royal American eMoney Program**

Royal American Financial Advisors, LLC, at no extra cost to its clients, provides our clients with their own private and secure personal financial website.

#### **Some of the benefits and features of Royal American eMoney include:**

- Organized financial life on your own safe and secure personal website.
- Financial snapshot updated daily, for you, your spouse, and/or children. Simplify your life and simplify their lives.
- Peace of Mind – A surviving spouse knows where to find everything, organized in one secure place.
- Peace of Mind – Surviving children will know where to find everything. Leave instructions for a successor trustee, and/or surviving children on how to access the site (put instructions in a safe deposit box, with your living trust, or you can give them limited access to your site with their own user name and password).
- Everything you own and owe in one place, updated daily.
- Monitor all your accounts and net worth.
- Monitor transactions for multiple accounts in one place, and set alerts.
- Create a budget and monitor spending.
- Private and secure electronic vault to store documents.
- Time Saver – Once the initial set up is completed (with our assistance), there will be no need to input data into antiquated Word docs, or Excel spread sheets. Now you will have more time to enjoy life, enjoy your retirement, spend time with family, or if you are a busy professional, you will have more time for your career and/or taking care of your children.

#### **Potential conflicts of interest Royal American eMoney:**

While the Royal American eMoney program is a tremendous benefit for our clients, when our clients use Royal American eMoney, there may be a potential conflict of interest. When utilizing the Royal American eMoney program, and when connecting all your accounts, our advisors will be able to see balances for all of your accounts that are connected to your eMoney website. If this is information previously unknown to our advisors, it may cause your advisor to make recommendations in which he/she will earn a fee. In many cases, this information (balances of other accounts and debt balances) are already known by us as your advisors, and as such, do not represent a conflict of interest. Our clients, or prospective clients, may have already disclosed all accounts and debt during the information gathering phase of the relationship, prior to making our recommendations and releasing their own private and secure personal financial website.

We believe the more we know about a client's current and future circumstances, the better we can serve them, and the better our recommendations will be. We believe it is best to utilize this program to the fullest extent possible. When doing so, we as your advisors can help you with advanced planning and budgeting. Clients can also take advantage of some of these advanced features when utilizing the program to its fullest capabilities. However, due to the potential conflict of interest mentioned above, the client has the option to utilize or to not utilize their Royal American eMoney website. While we believe it is a valuable service, it is an optional service. Clients also have the option to choose which accounts they wish to connect, or not to connect to

Royal American eMoney, other than what is managed by Royal American Financial Advisors, LLC. It is not a requirement to connect accounts. Clients also have the optional privacy settings, which limit what the advisor can see, primarily transactions from credit card and bank accounts. By default, the systems sets up maximum privacy for the client and limits viewing for advisors. Only the client can change this setting. Only the client knows their password and security questions. Only the client can change their password and security questions. The client can also limit what the advisor can see in the electronic vault by creating a private folder, called the My Documents folder, which only the client can access. When uploading documents manually to the platform, we encourage clients to exercise discretion and to "black out" or otherwise edit privacy-related information in personal records. Out of an abundance of caution, we recommend clients to never upload documents containing usernames or passwords, or social security numbers into the eMoney Vault. Tax documents have social security numbers. We recommend blacking out social security numbers if a client decides to store tax documents and tax returns in the eMoney Vault.

**Your Information is Secure with eMoney – An overview of the security built into your personal website**

No one will have access to your password except you. Your password is only known by you. In addition, to your own personal password, there is another layer of protection with security questions, and 2-Factor authentication. The security question answers would only be known by you. After 3 consecutive login attempts fail, the system locks your account, blocking programmed hacking attempts. The highest level encrypting technology available scrambles your information from unauthorized users into a garbled mess. Your personal website is certified hacker safe. **Even then, we do more.** This is a non-transactional site. No one (including you as the client and Royal American Financial Advisors, LLC), can move money, access your accounts, or withdraw money from your personal website. There are no social security numbers, credit card numbers, or account numbers on this site. This is an information only site, so you can stay in control of your financial life and so your advisor can better serve you and your family. More information about the features, benefits, and capabilities of Royal American eMoney can be found on our website: [www.myinvestmentcoach.com](http://www.myinvestmentcoach.com)