

## **Part 2A of Form ADV: Firm Disclosure Brochure**

### **Financial Management Strategies, Inc.**

9200 South Hills Blvd, Ste 310  
Broadview Heights OH 44147  
Telephone: 216-642-1099  
Fax: 216-642-1186  
Email: [jsoltis@vanfin.com](mailto:jsoltis@vanfin.com)  
Web Address: [www.fmstrategies.biz](http://www.fmstrategies.biz)

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This brochure provides information about the qualifications and business practices of Financial Management Strategies, Inc. (“FMS”). If you have any questions about the contents of this brochure, please contact the Firm at 216-642-1099, or by e-mail to [jsoltis@vanfin.com](mailto:jsoltis@vanfin.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Financial Management Strategies, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 120818. FMS is a registered investment adviser. Registration does not imply any level of skill or training.

## **ITEM 2 MATERIAL CHANGES**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/30/2023, is our updated document prepared according to the SEC's disclosure requirements and rules.

This Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information. There are no material changes included in this filing.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 30 days of such material changes. This Brochure is also updated within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## ITEM 4    ADVISORY BUSINESS

Financial Management Strategies, Inc. (hereinafter “FMS”) is an SEC-registered investment adviser with its principal place of business located in Ohio. FMS began conducting business in 1999. Jeffrey Charles Knox is the firm’s President and owns 80% of the company. Charles Brian Elliott is the firm’s Vice-President and owns 20% of the company.

FMS offers the following advisory services to our clients:

### **Individual Portfolio Management**

Our firm provides continuous asset management of client funds based on the individual needs of each client. Through personal discussions in which goals and objectives based on the client's particular circumstances are established, we develop the client's personal investment policy. We create and manage a portfolio based on that policy. During our data-gathering process, we determine the client’s individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client’s prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's time horizon and stated risk profile and investment objective for the account (i.e., Aggressive, Moderately Aggressive, Moderate, Moderately Conservative, Conservative).

In the firm’s sole discretion, clients may impose reasonable restrictions in writing on investing in certain securities, types of securities, or industry sectors. Clients retain individual ownership of all securities.

Once the client's portfolio has been established, we continually monitor the portfolio and, as necessary, rebalance the portfolio when the investment holdings differ from the target asset allocation for the portfolio in a manner that changes either the investment objective or risk of the portfolio.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Interests in real estate partnerships

Because some types of investments involve additional risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. at least annually, contact each client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
2. be reasonably available to consult with the client; and
3. maintain and update client suitability information.

## **Model Portfolio Management**

Our firm provides continuous portfolio management services to clients using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment objective.

### *Aggressive Growth*

This portfolio is designed for an investor who seeks maximum long-term returns and is willing to accept substantial risk and market volatility, believing that the potential for higher returns is far more important than protecting the portfolio's value.

### *Capital Accumulation*

This portfolio is designed for an investor who seeks higher long-term returns and is willing to accept some risk and market volatility, believing that the potential for higher long-term returns is more important than protecting the portfolio's value.

### *Balanced*

This portfolio is designed for an investor who seeks long-term capital growth through equity investments with reduced volatility through bond holdings and is willing to accept lower long-term market returns in exchange for reduced portfolio risk.

### *Income and Capital Preservation*

This portfolio is designed for an investor who seeks to preserve the portfolio's value and minimize market volatility but is willing to take on some risk and accept some short-term loss to the portfolio's value in exchange for long-term returns that may outpace inflation.

### *Total Return*

This portfolio is designed for the investor who seeks to maximize portfolio return based upon current market and economic conditions and is willing to accept substantial risk and market volatility. With the emphasis on return only, portfolios may or may not be diversified and there is no target asset allocation for the portfolio.

### *Bond*

This portfolio is designed for the investor who seeks income through investment in corporate, government, high yield, and global bonds without any expectation of long-term capital growth.

### Short Term Income Fund

This portfolio is designed for the investor who seeks income through investment in short duration corporate and government bonds without any expectation of capital growth as an alternative to cash or money market type investments.

For smaller accounts, we have three (3) model asset allocation portfolios that typically have less than five fund holdings. Each model portfolio is designed to meet a particular investment goal.

### Growth Portfolio

This portfolio is designed for an investor who seeks higher long-term returns and is willing to accept significant risk and market volatility, believing that the potential for higher long-term returns is more important than protecting the portfolio's value.

### Moderate Portfolio

This portfolio is designed for an investor who seeks long-term capital growth through equity investments with reduced volatility through bond holdings and is willing to accept lower long-term market returns in exchange for reduced portfolio risk.

### Conservative Portfolio

This portfolio is designed for an investor who seeks to preserve the portfolio's value and minimize market volatility but is willing to take on some risk and accept some short-term loss to the portfolio's value in exchange for long-term returns that may outpace inflation.

Through discussions with the client, we determine the client's financial goals, risk profile, and investment objective for the portfolio. Based on those discussions, we select the portfolio that best meets the client's financial and risk objectives. Each portfolio is managed based on the portfolio's investment and risk objectives. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain ownership of all securities. We manage advisory accounts on both a discretionary or non-discretionary basis. Account supervision is guided by the client's stated account and risk objectives (i.e., maximum capital appreciation, growth, income, growth and income, or capital preservation), as well as tax considerations.

Once the client's portfolio has been established, we continually monitor the portfolio and, as necessary, rebalance the portfolio when the investment holdings differ from the target asset allocation for the portfolio in a manner that changes either the investment objective or risk of the portfolio.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Mutual fund shares

Because some types of investments involve additional degrees of risk, they will only be recommended or implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability as detailed in their Investment Policy Statement.

To ensure that our initial determination of an appropriate model portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. at least annually, review each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
2. be reasonably available to consult with the client; and
3. maintain and update client suitability (i.e. account objective and risk) information.

## **Retirement Plan Advisory Services**

Our firm provides advisory services to pension, profit sharing, 403(b), and 401(k) plans.

We select and provide on-going monitoring of funds that are offered as investment options to retirement plan participants. In this capacity, we provide investment advice to the plan Trustee(s) as a fiduciary under either Section 3(21) or 3(38) of the Employee Retirement Income Security Act (hereinafter "ERISA"). The fund selection, monitoring, and review process is done within the guidelines established in the plan's Investment Policy Statement.

For plan participants, we may provide non-discretionary investment advice. Based on information provided by the participant concerning his or her time horizon, risk profile, and investment goals, we may recommend that the participant invest in specific investments from the plan's available investment options. The participant has the sole responsibility for choosing whether or not to implement any recommendations made regarding their investment selections.

We may also provide education services to plan participants within the guidelines established under ERISA Section 404(c). Services may include information about the company plan, general investment education, asset allocation models, and information or workshops on how to plan for retirement and other financial related topics.

The specific services that are provided to a plan are detailed in the client's Investment Advisory Agreement.

## **Financial Planning**

We provide financial planning services. Comprehensive financial planning is a broad-based service that provides an evaluation of a client's current and future financial position by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients receive a written report that provides information and recommendations to assist the client in pursuing his or her financial goals and objectives. The scope of the planning services to be provided the client are included in the client's Financial Planning/Consulting Agreement.

A typical financial plan may address any or all of the following areas:

- *Income Tax and Cash Flow.* We analyze the client's income, spending and tax situation and focus on ways to reduce and/or defer current taxation and create a plan that illustrates the

impact of various investment and planning strategies on the client's current and future income.

- *Investments.* We analyze current investments and create an asset allocation model for investments based upon the client's risk tolerance, time horizon, and planning objectives that can be used as a guide in making current and future investment decisions.
- *Education Funding.* We review planning options for meeting future education expenses.
- *Retirement Planning.* We analyze the client's current situation and make savings and investment recommendations to help the client achieve his or her retirement goals.
- *Disability Needs.* We review current insurance coverage and make certain adequate income is available in the event of a disability.
- *Long Term Care Planning.* We review methods to meet the financial cost of long term care and review strategies for preserving and protecting assets.
- *Estate Planning.* We work with clients to arrange for the desired distribution of assets at death and discuss strategies to minimize estate taxes and expenses.
- *Life Insurance and Survivor Income Planning.* We review existing policies and coordinate life insurance coverage with other assets to make certain surviving family members have adequate assets to provide income that meets their planning needs.
- *Property and Liability Insurance.* We review coverage to make certain limits are adequate to protect assets from potential claims.

The planning process begins with a comprehensive review of the client's current situation. Prior to the initial planning meeting, we ask the client to gather information on all existing assets and liabilities including employee benefit programs, retirement plans, investments, all insurance policies, wills and trusts, tax returns, and any other relevant information and documents. During the data gathering interview, this information is reviewed, financial and other planning objectives are established and prioritized, and risk tolerance is determined. We analyze the client's information and documents and prepare a written plan and provide planning recommendations. Implementation of any planning recommendations is entirely at the client's discretion. Should the client choose to implement the recommendations contained in the plan, we will assist the client and coordinate our work with the client's attorney, accountant, insurance agent, and/or investment advisor.

## Consulting Services

Clients can also receive investment advice or planning assistance on a more focused basis. We may provide limited or specific planning services to clients and provide recommendations and advice on a particular problem or specialized matter related to financial planning, insurance, investments, business, and/or estate planning. The specific services to be provided are detailed in the client's Financial Planning/Consulting agreement.

We may also provide investment advice to clients who are participants in an employer-sponsored plan subject to ERISA. The specific services to be provided are detailed in an Addendum to the client's Financial Planning/Consulting Agreement.

Adviser's financial planning and consulting recommendations are not limited to any specific product or service offered by any broker-dealer or insurance company.



Both financial planning and consulting services may be offered on a limited time basis (up to five (5) months) for a one-time, fixed fee or on an hourly fee arrangement. Both services may also be offered on a continuing basis pursuant to a recurring fixed fee or hourly fee arrangement.

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### **Amount of Managed Assets**

As of 12/31/2022, Adviser was actively managing 1,630 accounts, including retirement plans, with assets of \$522,311,059. Of this total amount, 1393 accounts with assets of \$423,123,124 are managed on a discretionary basis and 237 accounts with assets of \$99,187,935 are managed on a non-discretionary basis.

## **ITEM 5 FEES AND COMPENSATION**

### **Portfolio Management and Model Portfolio Management Fees**

Fees are specified in the client's Investment Advisory Agreement. Annual fees for both our Individual and Model Portfolio Management Services are based upon a percentage of assets under management and generally range from .50% to 1.50%. We use both a flat or level fee schedule and a tiered fee schedule.

For fees based on a flat or level fee schedule, the maximum annualized fee for Portfolio Management Services is 1.50% of the assets under management.

For fees based on a tiered fee schedule, the maximum annualized fee for Portfolio Management Services is as follows:

| <b><u>Tiered Assets Under Management</u></b> | <b><u>Annual Fee</u></b> |
|--|--------------------------|
| \$ 0 - \$ 100,000                            | 1.50%                    |
| \$100,001 - \$250,000                        | 1.50%                    |
| \$250,001 - \$500,000                        | 1.25%                    |
| \$500,001 - \$1,000,000                      | 1.00%                    |
| \$1,000,001 and Above                        | 1.00%                    |

For example, based upon the above fee schedule, for an account with \$600,000 in assets the annual fee would be as follows:

| <b><u>Tiered Assets Under Management</u></b> | <b><u>Annual Fee Calculation</u></b> |
|--|--------------------------------------|
| \$ 0 - \$ 100,000                            | \$100,000 x 1.50% = \$1,500          |
| \$100,001 - \$250,000                        | \$150,000 x 1.50% = \$2,250          |
| \$250,001 - \$500,000                        | \$250,000 x 1.25% = \$3,125          |
| \$500,001 - \$1,000,000                      | \$100,000 x 1.00% = \$1,000          |
|  | Total Fee \$7,875                    |

Fees are deducted from cash assets held in a client's account. The initial fee is charged on the first day of the month after the account is funded. It is pro-rated from that date through the end of the current calendar quarter and is based on the account's value on the last business day of the previous month. Thereafter, the client's fee will be payable at the beginning of each calendar quarter for such quarter and the fee will be based on the fair market value of the assets in the

account on the last business day of the preceding calendar quarter. There is no additional fee charged for any subsequent deposits made to the Account during a quarter or any fee refund for any subsequent withdrawals made from the account during a quarter. If this Agreement is terminated or the account is closed for any reason, Adviser will refund to the client a pro-rata portion of any pre-paid, but unearned, fee paid for the current quarter. The amount refunded will be based on the number of days remaining in the quarter after the date of termination.

### Transaction Fees and Charges

In addition to the fee for advisory services, clients may also incur account fees and charges from Cetera Advisor Networks LLC (“Cetera”), the broker-dealer used by Adviser’s Investment Adviser Representatives, and/or Pershing LLC (“Pershing”), the clearing firm used by Adviser. Normal transaction charges and account fees (i.e. returned check fee, overnight charges, IRA Custodian, paper statement, trade confirmation, etc.) apply to all accounts. Cetera charges and fees are included in a “Supplemental Disclosure” that is provided to the Client at the time the account is opened. A schedule of Pershing charges and fees are sent to the Client directly by Pershing at the time the account is opened. Should there be a change to these transaction charges or account fees, Cetera and/or Pershing will provide client with a new fee schedule prior to any changes becoming effective.

### Limited Negotiability of Advisory Fees

Although we have established the aforementioned fee schedule(s), we retain the discretion to negotiate and determine fees on a client-by-client basis. The client’s individual circumstances are considered in determining the fee schedule. Factors include the complexity of the client’s needs, the total amount of assets to be placed under management, anticipated future or additional deposits to accounts; related accounts; and other factors. The specific annual fee schedule for a client is contained in the Investment Advisory Agreement between FMS and each client.

There is no minimum account size. We group all household related client accounts together for the purpose of determining fees for those related accounts. A different fee schedule may be used for a specific household account under special circumstances with the approval of the firm’s Chief Compliance Officer.

### **Retirement Plan Advisory and Consulting Fees**

Fees for services to pension, profit-sharing, 403(b), and 401(k) plans are specified in the client’s Investment Management or Consulting agreement and are determined by the nature and scope of the services to be provided and the complexity of each client’s situation. Consulting services may be offered on a limited time basis (up to five (5) months) for a one-time fee or on an hourly fee basis. Services may also be offered on a continuous basis pursuant to a recurring fixed fee or on an hourly fee basis.

For services based upon an hourly fee arrangement, the hourly rate generally ranges from \$75 to \$250 per hour. Although the length of time it will take to provide our consulting services will depend on each client’s situation, we will provide an estimate for the total hours at the start of the advisory relationship.

For services based on a fixed fee basis, fees typically range from \$1,000 to \$10,000, depending on the scope of services to be provided and the specific arrangement agreed upon with the client.

For retirement plans where Adviser acts as the “Investment Manager” for the plan within the meaning of ERISA § 3(38) and as a “fiduciary” of the Plan within the meaning of ERISA §3(21)(A), fees are based on a percentage of assets under management and generally range from .10% to 1.50%. We use both a flat or level fee schedule and a tiered fee schedule. For fees based on a tiered fee schedule, the maximum annualized fee is as follows:

| <b><u>Tiered Assets Under Management</u></b> | <b><u>Annual Fee</u></b> |
|--|--------------------------|
| \$0 - \$500,000                              | 1.50%                    |
| \$500,001 - \$1,000,000                      | 1.25%                    |
| \$1,000,001 - \$2,000,000                    | 1.00%                    |
| \$2,000,001 and Above                        | 1.00%                    |

For example, based upon the above tiered fee schedule, for an account with \$1,200,000 in assets the annual fee would be as follows:

| <b><u>Tiered Assets Under Management</u></b> | <b><u>Annual Fee Calculation</u></b> |
|--|--------------------------------------|
| \$0 - \$500,000                              | \$500,000 x 1.50% = \$ 7,500         |
| \$500,001 - \$1,000,000                      | \$500,000 x 1.25% = \$ 6,250         |
| \$1,000,000 - \$2,000,000                    | \$200,000 x 1.00% = \$ 2,000         |
|  | Total Fee \$15,250                   |

There is no minimum fee. Fees may be paid directly by the plan sponsor or deducted on a pro-rata basis from each plan participant’s account. Depending on the billing policy of the plan’s record keeper and administrative firm, fees may be either paid in advance or in arrears.

Where fees are paid in advance, the initial fee will be based upon the fair market value of the plan’s assets as determined by Custodian at the time it initially receives the plan assets. The first payment will be prorated to cover the period from that date through the end of the current calendar quarter. Thereafter, the plan fee will be paid at the beginning of each calendar quarter for such quarter and the fee will be based on the fair market value of the assets under management on the last business day of the preceding calendar quarter as calculated by Custodian.

Where fees are paid in arrears, the first payment will be made at the end of the calendar quarter and prorated to cover the period from the date plan assets were received through the end of that calendar quarter. Thereafter, the plan fee will be paid at the beginning of each calendar quarter for the prior calendar quarter. Fees will be based on the fair market value of the assets under management on the last business day of the preceding calendar quarter as calculated by Custodian.

For all plans, there is no adjustment or refund of the plan fee for any withdrawals made by a plan participant during the quarter. No adjustment or additional fee is charged for any additional deposits made to the plan during the quarter. If a plan is terminated for any reason, the plan will either receive a refund of the fee already paid based upon the number of days remaining in the quarter after the date of termination or be charged that portion of the fee earned based upon the number of days in the quarter prior to the date of termination.

#### Limited Negotiability of Advisory Fees

Although we have established the aforementioned fee schedule(s), we retain the discretion to negotiate and determine fees on a client-by-client basis. The client’s individual circumstances are considered in determining the fee schedule. Factors include the asset size of the plan, number of

eligible participants, enrollment and education services to be provided, geographic locations of the client's office locations, and other factors. The specific annual fee schedule for a client is contained in the Investment Advisory Agreement between FMS and each client.

### **Financial Planning/Consulting Fees**

Fees are specified in the client's Financial Planning/Consulting Agreement and are determined based on the nature and scope of the services being provided and the complexity of each client's situation. Both financial planning and consulting services may be offered on a limited time basis (up to five (5) months) for a one-time fee or on an hourly fee basis. Both services may also be offered on a continuous basis for a recurring fixed fee or on an hourly fee basis.

For services based upon an hourly fee arrangement, the hourly rate may range from \$75 and \$250 per hour. Although the length of time it will take to provide a financial plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.

For services based on a fixed fee basis, fees typically range from \$250 to \$10,000, depending on the scope of services to be provided and the specific arrangement agreed upon with the client.

### **General Information**

#### *Termination of the Advisory Relationship*

A client agreement may be canceled at any time, by either party for any reason, upon written notice.

#### *Mutual Fund Fees*

All fees paid to FMS for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus and will generally include both a management fee and fees for other fund expenses. When purchasing mutual funds for clients, FMS firm policy is that the purchase is to be made in the lowest cost share class made available by the fund to advisory account shareholders through Cetera Advisor Networks LLC, a registered broker/dealer, member FINRA and SIPC, and its clearing firm, Pershing, LLC. In addition, FMS continually monitors share class availability and works to convert holdings to lower cost fund share classes in a timely manner as these new classes become available. If the lowest cost share class available includes any 12b-1 distribution fees, those fees are credited to the client's account. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate based upon the client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### *Retirement Plans - ERISA Accounts*

We are deemed to be a fiduciary to advisory clients that are employee benefit plans or hold retirement accounts under the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid

engaging in prohibited transactions, we may only charge fees for investment advice on products where our firm and/or our related persons do not receive any commissions or servicing fees from any mutual fund. Consistent with firm policy, funds made available to plan participants are in the lowest share class available from the plan's Custodian. If the lowest share class available includes any 12b-1 fund distribution fees or "Sub T-A" servicing fees, these fees are credited back to a participant's account. These credits, if applicable, will be shown on the account statement.

*Retirement Plans (including SIMPLE-IRA and SEP-IRA) and Individual Retirement Accounts*

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interests ahead of yours.

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

*Advisory Fees in General*

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

## **ITEM 6 PERFORMANCE-BASED FEES**

Financial Management Strategies, Inc. does not charge performance-based fees.

## **ITEM 7 TYPES OF CLIENTS**

Financial Management Strategies, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Trusts and Estates
- Charitable Organizations
- Corporations or other businesses not listed above
- Pension and profit-sharing plans
- VEBA Trusts

## ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

### Methods of Analysis

We may use the following methods of analysis in formulating our investment advice and/or managing client assets:

- *Charting.* In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.
- *Fundamental Analysis.* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.
- *Technical Analysis.* We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.
- *Cyclical Analysis.* In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.
- *Quantitative Analysis.* We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.
- *Qualitative Analysis.* We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement and predict changes to share price based on that data. A risk in using qualitative analysis is that our subjective judgment may prove incorrect.
- *Asset Allocation.* Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.
- *Mutual Fund and/or ETF Analysis.* We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the

client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

- *Risks for All Forms of Analysis.* Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **Investment Strategies**

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

### Long-Term Purchases

We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline in value before we make the decision to sell.

### Short-Term Purchases

When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time, typically a year or less. We do this in an effort to take advantage of conditions that we believe will soon result in a favorable price swing in the securities we purchase. A short-term purchase strategy poses risks should the anticipated price swing not materialize. We are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of any short-term capital gains.

### Option Writing

We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative because it derives its value from an underlying asset. When using an option strategy, we

may only utilize “covered calls” or “protective puts”.

- A “covered call” is used to generate income from a security when we believe that a stock price is unlikely to rise much in the near-term. The covered call is constructed by holding a long position in a stock and then selling, or writing, a call option on that stock. By selling the call option, you receive a “premium” or cash in exchange for you giving the holder the right to buy the stock from you at a certain price within a specific period of time. This strategy is used to help offset downside risk or potentially add to upside return.
- A “protective put” is a risk management strategy using options to guard against a loss in a stock. You buy a put option on the stock you own and pay a fee, or premium. The protective put works to lock in gains and buy protection against a decrease in value of the stock below a set floor price. Should the stock drop below the floor price, you have the right to “put” or sell the security at that price. This strategy does not limit upside potential of the stock holding.

## **ITEM 9 DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

FMS self-reported to the SEC under the Share Class Selection Disclosure Initiative (SCSD) that the firm may not have adequately disclosed the conflicts of interest relating to the receipt by the firm's associated persons of mutual fund 12b-1 servicing fees and the selection of mutual fund share classes that pay such fees. Without admitting or denying the findings contained in the order, FMS consented to the entry of an Order regarding this matter. Details of the findings and the Order may be found at <https://www.sec.gov/litigation/admin/2019/ia-5144.pdf>.

Our firm and our management personnel have no other reportable disciplinary events to disclose.

## **ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Management personnel and certain Investment Adviser Representatives of FMS may be separately licensed as Registered Representatives of Cetera Advisor Networks LLC (Cetera), a registered broker-dealer and Registered Investment Adviser, member FINRA, SIPC. These individuals, as Registered Representatives, can make securities transactions for which they will receive separate, yet customary, commission-based compensation.

While FMS and these individuals always endeavor to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations.

Investment Adviser Representatives associated with our firm may be separately registered as Investment Adviser Representatives of Cetera. In that capacity, this individual can provide advisory services through Cetera. The advisory services delivered by Cetera are separate and distinct from those provided by our firm and those services are provided for separate compensation. Cetera's advisory services may be recommended to our clients for whom it is appropriate. There are no referral fee arrangements between our firm and Cetera. A conflict of interest, however, is created by this arrangement to the extent that this individual recommends that an FMS client open a Cetera



account through which this individual will receive compensation. No FMS client is obligated to use Cetera for its advisory services. Clients choosing to implement recommendations through Cetera's advisory services should refer to Cetera's Firm Disclosure Brochure or other disclosure document for details regarding that firm's services and fees.

As this affiliation with Cetera may present potential conflicts of interest, we have established written policies and procedures for insider trading that prohibit any member, officer, Investment Adviser Representative, or employee of our firm, from buying, selling or recommending the securities of companies bought, sold or recommended by Cetera where the decision is substantially derived, in whole or in part, by reason of access to the recommendations of Cetera to its clients.

Management personnel and certain Investment Adviser Representatives of FMS may be licensed as agents either individually or through Plancorp, Inc., an insurance agency owned by management of FMS, with various insurance companies. As such, these individuals can receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by FMS and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. FMS endeavors at all times to put the best interest of its clients first as part of our fiduciary duty as a Registered Investment Adviser. We take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## **ITEM 11 CODE OF ETHICS, POTENTIAL CONFLICTS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our firm has adopted a Compliance Policies and Procedures Manual/Code of Ethics ("Manual / Code") which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

FMS and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Manual/Code but to the general principles that guide the Manual/Code.

Our Manual/Code includes policies and procedures for the review of quarterly investment transaction reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Manual/Code also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our Manual/Code also provides for oversight, enforcement and recordkeeping provisions.

FMS's Manual/Code further includes the firm's policy prohibiting the use of material non-public information.

A copy of our Manual/Code is available to our advisory clients and prospective clients. You may request a copy by writing to Financial Management Strategies, Inc., Attn: Compliance Officer, 9200 South Hills Blvd, Suite 310, Broadview Heights, OH 44147, or by email to [jsoltis@vanfin.com](mailto:jsoltis@vanfin.com), or by calling us at 216-642-1099.

FMS and individuals associated with our firm are prohibited from engaging in principal transactions.

FMS and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Manual/Code is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the express policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Manual/Code, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.

3. It is the express policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Disclosure Brochure (Item 10), related persons of our firm may be separately registered as Registered Representatives or Investment Adviser Representatives of Cetera Advisor Networks, LLC, a registered broker-dealer and Registered Investment Adviser, member of FINRA, SIPC, and may be licensed as insurance agents or brokers with various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **ITEM 12    BROKERAGE PRACTICES**

FMS does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

FMS requires that clients open accounts with broker-dealers or custodians who have established relationships with FMS. These firms separately disclose to our clients all account related charges and fees.

“Block trading” is the practice of combining multiple orders of the same security being purchased for more than one account. In cases where a block trade is placed, we will distribute a portion of the shares being purchased to participating accounts in a fair and equitable manner. Each participating account will pay an average price per share for all combined transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by individuals associated with our firm may participate in block trading with client accounts. Those accounts, however, will not be given preferential treatment.

We do not block trade for non-discretionary accounts. Accordingly, non-discretionary accounts may pay or receive different pricing and costs than discretionary accounts paid or received for the same security that was part of a block trade.

## **ITEM 13 REVIEW OF ACCOUNTS**

### **Portfolio Management and Model Portfolio Management**

Client's Investment Adviser Representative will review, on at least an annual basis, the client's portfolio holdings; confirm that the account's risk is consistent with client's investment objective; ask whether the client is planning on making any additional deposits into the account or taking any distributions; discuss any restrictions or limitations for the account; and determine whether any changes to the account are required.

### **Retirement Plan Advisory and Consulting Services**

Consulting services that were provided on a limited time basis (up to five (5) months) for a one-time fee or on an hourly fee basis are not reviewed unless requested by the client. Services provided on a continuous basis pursuant to a recurring fixed fee or on an hourly fee basis are reviewed in accordance with the client's consulting fee agreement.

For plans where we are providing complete investment management services as the plan's investment adviser in accordance with Department of Labor (DOL) regulations and under ERISA guidelines, we select and continually monitor the investment options that are available to plan participants in accordance with the client's Investment Policy Statement. Formal plan reviews are prepared on an annual basis by Charles B. Elliott, Vice-President and Director of Financial Planning and Portfolio Management and/or Jeffrey C. Knox, President.

### **Financial Planning Services**

Financial planning and consulting services that were provided on a limited time basis (up to five (5) months) for a one-time fee or on an hourly fee basis are not reviewed unless requested by the client. Services provided on a continuous basis pursuant to a recurring fixed fee or on an hourly fee basis are reviewed in accordance with the client's consulting fee agreement. Reviews are conducted by the client's Investment Adviser Representative.

## **ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION**

### **Client Referrals**

Our firm may pay a cash referral fee to independent persons or firms ("Solicitors") for introducing clients to us. We require the Solicitor to provide each prospective client a disclosure that includes:

- the material terms of the Solicitor's compensation arrangement with Adviser for introducing the prospective client to the firm.
- a description of any material conflicts of interest on the part of the Solicitor resulting from the referral arrangement with our firm.

The activities of a Solicitor are limited to client solicitation only. The Solicitor is not permitted to enter into any undertaking or agreement, or to render any investment advice, on behalf of Adviser. In accordance with Adviser's policy, the advisory fees paid to us by clients referred by Solicitors are not increased as a result of any referral.

### **Other Compensation**

It is company policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from any investment management firm or service provider in conjunction with the advisory services we provide to our clients.

### **ITEM 15 CUSTODY**

Our firm does not have actual or constructive custody of client accounts.

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from individual client custodial accounts. On at least a quarterly basis, the custodian sends client an account statement showing all transactions, including fees charged, within the account during the reporting period. Clients should contact us directly if they believe that there may be an error in their fee calculation or statement.

For retirement plans where participants have individual accounts, we advise the client's custodian of the amount of the plan's fee that is to be deducted from each participant's account on a pro-rata basis. Notice of the fee is sent to the client either by FMS or the plan's record keeper or administrator. In accordance with Department of Labor regulations, any fee charged to a participant's account is shown on the participant's quarterly statement. Clients should contact us directly if they believe there may be an error in their fee calculation or statement.

### **ITEM 16 INVESTMENT DISCRETION**

For individual and model portfolio investment management clients, FMS may provide discretionary asset management services when authorized by the client in the Investment Advisory Agreement. For accounts with authorized discretion, we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. We do, however, inform clients that changes are being made to their accounts either electronically, where electronic delivery has been authorized by the client, or by mail. Discretionary authority may not be granted for any individual account subject to the provisions of ERISA, which includes pension and profit-sharing plans, Simplified Employee Pensions (SEP), and SIMPLE-IRAs.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients may limit our discretionary authority by giving us written instructions. Clients may also change/amend such limitations by providing us with new written instructions.

## **ITEM 17 VOTING CLIENT SECURITIES**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to a client's investment assets, clients maintain exclusive responsibility for (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **ITEM 18 FINANCIAL INFORMATION**

As an investment advisory firm, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. FMS has no financial circumstances to report. FMS has never been the subject of a bankruptcy petition.