

## **CTB Financial Services, Ltd.**



### **Form ADV 2A & B** Effective September 2018

This brochure provides information about the qualifications and business practices of CTB Financial Services, Ltd. (CTB Financial). If you have any questions about the contents of this brochure, please contact us at the telephone number below or at [info@ctbfin.com](mailto:info@ctbfin.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. Registration as an investment advisor with the Securities and Exchange Commission does not imply a certain level of skill or training.

Additional information about CTB Financial is available at the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and at [www.ctbfin.com](http://www.ctbfin.com).

## MATERIAL CHANGES

This brochure section contains a summary of material changes to the information in this brochure. The material changes to this brochure since our last annual amendment in March 2018 include the following:

- CTB Financial does acknowledge the receipt of Benefit Arrangements that are discussed under “Brokerage Practice” in additional detail.

We encourage you to read the entire brochure carefully. We are also available to answer any questions you may have.

CTB Financial amends this brochure at least annually. To receive a copy of our most recent brochure without charge, please call our offices at (952) 546-5456 or email us at [info@ctbfin.com](mailto:info@ctbfin.com) and a copy will be sent to you. You may also receive a copy of our most recent brochure and additional information regarding CTB Financial from [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) under Investment Advisor Search.

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## ADVISORY BUSINESS

Founded in 2002, CTB Financial Services, Ltd. (“CTB Financial”) is a federally-registered advisory firm offering full-service portfolio investment services, cross-disciplinary planning and coordination of allied professionals directly to investing clients.

**Asset Administration.** Pursuant to variables relevant to each client, CTB Financial develops portfolio recommendations collaboratively with the client which are most appropriate to the client’s stated goals. Clients are under no obligation to implement their specific asset allocation portfolio and may specify alternative investments and restrictions upon establishing an advisory relationship and at any time thereafter. Clients who establish CTB Financial accounts must agree that the risks of such accounts are borne solely by the client.

CTB Financial will generally rebalance accounts by pursuing a policy of regular portfolio monitoring, looking for opportunities to rebalance. These rebalancing opportunities are defined by degrees of “out-of-balance-ness” measured against “tolerance bands,” which are set at the asset class level of each portfolio. Tolerance bands are set at a variety of levels, depending on the type and size of each asset class, as well as up versus down variances. But in general, tolerance bands are set at around a 3%-5% variance of each asset class allocation target. Once a rebalancing opportunity is identified, trading action to bring the portfolio back into balance is taken only after all other relevant objectives are considered and factored in, including the potential tax impacts of such trading actions, as well as the trading costs imposed by the custodian.

CTB Financial meets with its clients on a periodic basis, at least annually but usually more often, in order to review their portfolio, investment results, any changes in the client’s financial situation, needs or investment objectives, as well as the ongoing suitability of the current asset allocation program developed for the client.

**Strategic Services and Planning.** Some clients engage CTB Financial to act as a “Personal Chief Financial Officer,” or “Personal CFO,” to coordinate a team of cross-disciplinary financial professionals, which may include a CPA, an estate attorney, mortgage experts, and insurance specialists of various types, as identified by the client. These strategic services aim to assist clients in developing and implementing a fully integrated and synergistic financial plan that takes personal financial objectives into account.

In addition, CTB Financial engages in a wide variety of planning services for its clients, including financial advice not pertaining to investments only. Planning may include income tax planning, financial goal planning (retirement, college, etc.), estate planning, insurance planning, business planning, charitable giving, as well as assistance with large purchases. This list is not exhaustive.

CTB Financial Services, Ltd. is a Minnesota corporation based in Minneapolis, Minnesota. CTB Financial has two principal shareholders: O. Charles Brown and Jonathan Liang. As of December 31, 2017, CTB Financial managed total assets of \$181,639,500 for its clients.

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## FEES AND COMPENSATION

CTB Financial believes strongly in the importance of calculating and disclosing all fees and expenses to which its clients are subject. The costs of investing and working with financial professionals and products are a key component of clear understanding, full disclosure and informed decision making.

**Asset Administration.** CTB Financial charges fees for the investment management of client accounts based upon the value of assets held in the custodial accounts at a “householding” level. Each client represents a single household and may or may not include related family members, such as adult children and their families.

For the services that CTB Financial provides, a prorated, partial quarterly management fee is deducted from the designed account(s) at the start of the relationship, then each calendar quarter, thereafter. Our annual fee ranges as high as 1.70%, but on average across our entire firm, this rate falls significantly below this number. CTB Financial employs a regressive fee schedule, whereby higher asset values experience lower asset fee rates in descending fashion.

Subsequent quarterly fees are computed based on the market value of assets in the account as of the date on or about the last business day of the prior calendar quarter and deducted quarterly in advance from the client’s account. Additional deposits of funds and/or any other securities into the client’s account will be subject to the same fees, prorated based on the number of days remaining in the quarter. Services similar to those offered by CTB Financial are offered elsewhere for more or less than the amount charged by CTB Financial.

The client may incur additional brokerage commissions, “ticket charges” and other similar expenses in connection with the opening, maintenance and closing of his or her account(s) at third-party custodians. The client is free to use any brokerage firm for his or her securities transactions and have the assets transferred to an approved custodian for management. As a rule, CTB Financial does not receive any part of the brokerage “ticket charge” or any portion of the fees paid in other investment funds. Investments into mutual funds, affiliated or unaffiliated funds alike, are

subject to internal management fees incurred in their operation. Such fees are separate and apart from CTB Financial account fees. CTB Financial does not receive investment commissions, trails, back-end sales charges, or mutual fund servicing fees. Additional information regarding mutual fund fees is contained in each fund’s prospectus.

Upon termination of the advisory agreement, the client will receive a refund of any unearned advisory fees previously paid.

Should the client direct the purchase of other securities, such assets are not managed by CTB Financial and CTB Financial does not collect an investment advisory fee on such assets.

**Strategic Services and Planning.** CTB Financial does not charge a separate fee for this service. Clients – at their option – have access to the “Personal CFO” included as part of the advisory fee they pay at no extra charge.

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## PERFORMANCE-BASED FEES

CTB Financial does not charge performance-based fees (fees based upon a share of capital gains or the amount of capital appreciation of the assets of our clients) or side-by-side management fees.

## TYPES OF CLIENTS

CTB Financial offers its services to individuals, trusts, charitable institutions, corporate pension plans and other tax qualified plans. Generally, the minimum amount of an account or family of accounts is \$500,000. CTB reserves the right to make exceptions to this policy at any time.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

CTB Financial utilizes asset-class allocation programs that designate specified percentages across multiple asset-classes with the intent of creating diversified investment portfolios. It utilizes a proprietary method of asset-class allocation based on academic and behavioral economic studies, publicly available research and reports regarding Efficient Markets Theory and Modern Portfolio Theory, adjusted for certain behavioral economic factors. CTB Financial also uses investment and financial simulation programs which calculate the effects of various historical rates of return from different asset classes to assist in the preparation of asset allocation plans.

CTB Financial's Investment Committee determines the portfolio recommendation policy, the approximate allocation percentages for each level of client risk and the target variance tolerance band within each of the asset-class funds. At any time, including following a rebalancing to a target reallocation, the client's portfolio may not be the same as the target allocation. Variations from the target allocation may exist at any time and in varying amounts.

With each client's input in the design of their own asset allocation portfolio, CTB Financial implements asset-class allocation investment programs with no-load mutual funds. The asset-class allocations are adjusted for risk (defined as historic market volatility over identified periods of time). CTB recommendations are designed for longer-

term investors.

Should material life events occur, clients should immediately contact CTB Financial to determine if changes to household accounts and the allocation of the assets are necessary. Such events include marriage, the birth of children, occupational changes, a death in the immediate family, divorce or any other event that may impact financial futures or risk tolerance.

CTB Financial may hold individual securities at client direction, on a case-by-case basis, but does not recommend investments into individual securities (i.e. stocks).

Investing in securities involves risk of loss that clients must understand and be prepared to bear. Specific risk considerations include:

**Market Risk.** The market values of securities owned may decline, at times sharply and unpredictably. Market values of equity securities are affected by a number of different factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, and decreased demand of an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity.

**Economic Risk.** Changes in economic conditions, for example, interest rates, inflation rates, political and diplomatic events and trends, tax laws and innumerable other factors, can substantially and adversely affect investments.

**Asset Allocation Risk.** Asset allocation may have a more significant effect on account value when one of the heavily weighted asset classes is performing more poorly than the others. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

**Concentrated Portfolio Risk.** To the extent a portfolio has a large portion in a single security or several securities, it bears more risk because it is not diversified. Changes in the value of significantly over-weighted security positions may have a much more substantial directional effect, either negative or positive, on the portfolio's performance.

**Emerging Foreign Market Risk.** Investment in the securities of foreign issuers may experience more rapid and extreme changes in value than funds with investments solely in securities of U.S. companies. The securities markets of many foreign countries are relatively small, with limited number of companies representing a small number of industries. Additionally, foreign securities issuers may not be subject to the same degree of regulation as U.S. issuers. Reporting, accounting, and auditing standards of foreign countries differ from U.S. standards.

**Fixed Income Risk.** Including: interest rate risk, which is the chance that bond prices overall will decline because of rising interest rates; income risk, which is the chance that a strategy's income will decline because of falling interest rates; credit risk, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of the bond to decline; and call risk, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The investment would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the investment's income.

## DISCIPLINARY INFORMATION

CTB Financial has not been party to any material legal or disciplinary proceedings.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

CTB Financial is affiliated with Caldwell, Taylor and Brown, Ltd., a certified public accounting firm, where O. Charles Brown is a principal shareholder. Clients are advised that fees for accounting services are in addition to fees paid for advisory services. Clients to whom advisory services are provided are frequently clients who also might be receiving accounting services. As a general rule, Mr. Brown's services to Caldwell, Taylor and Brown, Ltd. and its clients are separate from the services provided or supervised by CTB Financial. However, CTB Financial's clients with investment portfolios in excess of \$250,000 may receive basic, personal tax services from Caldwell,

Taylor and Brown inclusive of their asset management fee. This service includes personal tax returns only and does not include business tax returns, children's tax returns or fiduciary tax returns.

None of CTB Financial's staff or principals own or act as registered representatives for any broker-dealer firm.

## CODE OF ETHICS

CTB Financial has adopted a Code of Ethics for all supervised persons of the firm describing its standard of business conduct and fiduciary duty to its clients. All supervised persons at CTB Financial must acknowledge the terms of the Code of Ethics annually, or more frequently, if amended. CTB Financial's employees and persons associated with CTB Financial are required to follow this Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of CTB Financial and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for CTB Financials' clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of CTB Financial 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. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of CTB Financial's clients. Employee trading is monitored for compliance with the Code of Ethics, and to reasonably prevent conflicts of interest between CTB Financial and its clients.

Clients or prospective clients of CTB Financial may obtain a copy of its Code of Ethics without charge by calling our offices at (952) 546-5456.

## BROKERAGE PRACTICE

CTB Financial does not own or operate its own custodian facility. The majority of CTB Financial's clients currently work with Charles Schwab & Co., Inc. (Schwab). Factors considered in selecting a custodian include the ease with which CTB Financial can conduct day-to-day administration

of accounts with such custodians; the ease with which clients can open accounts, obtain information and execute trades with such custodians; the capability to execute, clear and settle trades; reputation, financial strength and stability; and reasonableness of transaction commissions and fees.

In considering the reasonableness of commissions, the client should take into account the expense of commissions and account fees relative to other available custodians, in conjunction with an evaluation of the services provided.

Schwab and other providers also make available to CTB Financial other products and services that benefit CTB Financial but may not directly benefit its Client's accounts. Many of these products and services may be used to service all or some substantial number of client accounts, or are intended to help CTB Financial manage and further develop its business enterprise. This may include benefits such as educational events for clients or personnel. CTB Financial may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, which may create a potential conflict of interest.

## REVIEW OF ACCOUNTS

Periodically, CTB Financial reviews client investment portfolios and repositions assets to bring them closer to their target allocations, unless the client has requested otherwise. More frequent re-allocations may occur when investors give instructions to change their target allocations or make significant additions to or withdrawals from their accounts.

A representative of CTB Financial is available for the client's consultation during normal business hours.

## CLIENT REFERRALS AND OTHER COMPENSATION

CTB Financial does not pay or accept referral fees and does not employ solicitors or share compensation with solicitors.

## INVESTMENT DISCRETION

CTB Financial does not exercise investment discretion for its clients' accounts. Upon agreement with the client, CTB

Financial will have received pre-approved authorization to trade identified securities held in custodial accounts within certain target allocation bands, without obtaining specific client consent for each transaction, unless otherwise instructed. CTB Financial may exercise independent judgment in connection with the timing and execution of the purchase and sale of assets according to the instructions given to CTB Financial.

## CUSTODY

CTB Financial does not take direct custody of client assets. CTB Financial does have the ability to withdraw or direct the payment of advisory fees and may retain custody in instances of standing third-party letters of authorization. Advisory fees are reflected on the statements you will receive from CTB Financial and the chosen custodian that holds your investment assets.

You should receive regular account statements from your custodian. CTB Financial encourages you to carefully review such statements and compare the custodial statements to the CTB Financial reports that we provide. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

If you identify differences, please call CTB Financial at (952) 546-5456 so reconciliation may be made.

## VOTING CLIENT SECURITIES

CTB Financial does not receive the authority to vote proxies for issuers represented in clients' accounts.

## FINANCIAL INFORMATION

CTB Financial is not aware of any financial commitment that is likely to impair its abilities to provide the services identified above.

## BROCHURE SUPPLEMENT

September 2018

CTB Financial Services, Ltd.



This brochure supplement provides information about:

O. Charles Brown  
Jonathan Liang

This supplements the CTB Financial Services, Ltd. (CTB Financial) brochure. You should have received a copy of that brochure. Please contact us at (952) 546-5456, or email us at [info@ctbfin.com](mailto:info@ctbfin.com), if you did not receive CTB Financial's brochure or if you have any questions about the contents of this supplement.

Additional information about these individuals is available at the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and at [www.ctbfin.com](http://www.ctbfin.com).





**O. CHARLES BROWN  
(CHUCK)**

**Educational Background  
and Business Experience**

**Education:** Univ. of MN. Duluth, MN (1973)  
Double Major – Economics/Accounting  
Minor – Business Administration

**Professional Designations:** Certified Public Accountant (1980); Certified Financial Planner® designation (1994)

**Business Experience:** Mr. Brown is the founder and President of CTB Financial Services, Ltd., and a member of the Investment Committee of CTB Financial. He has served in this capacity since founding CTB Financial in 2002.

**Disciplinary Information:** There are no legal or disciplinary events material to a client’s or prospective client’s evaluation.

**Other Business Activities:** Mr. Brown is a principal shareholder and managing director of Caldwell, Taylor and Brown, Ltd., a full-service CPA firm, which he helped to found in 1979. He has served as its President since 1992.

**Additional Compensation:** Mr. Brown receives compensation for providing advisory services through CTB Financial, as well as tax and CPA services through the CPA firm.

**Supervision:** Mr. Brown is supervised by the Chief Compliance Officer, Jonathan Liang. Mr. Liang can be reached at (952) 546-5456. Supervision is conducted through the monitoring of e-mail and other correspondence, pre-review of marketing or sales material, regular direct-report meetings, and other executive-level discussions.

**Birth Year:** 1951



**JONATHAN W. LIANG**

**Educational Background  
and Business Experience**

**Education:** Hope College. Holland, MI (1991)  
Double Major – Philosophy/German Literature  
Post-Graduate: Indiana University, Bloomington, IN (1996)  
Master’s Degree – International Business

**Professional Designation:** Certified Financial Planner® designation (2003)

**Business Experience:** Mr. Liang is Vice President at CTB Financial Services Ltd., as well as the Chief Compliance Officer. He is also a founding principal. In 2006, Mr. Liang merged his own financial planning firm into CTB Financial following six years of solo operation.

**Disciplinary Information:** There are no legal or disciplinary events material to a client’s or prospective client’s evaluation.

**Additional Compensation:** Mr. Liang receives compensation for providing advisory services through CTB Financial.

**Supervision:** Mr. Liang is supervised by the President, O. Charles Brown. Mr. Brown can be reached at (952) 546-5456. Supervision is conducted through the monitoring of e-mail and other correspondence, pre-review of marketing or sales material, regular direct-report meetings, and other executive-level discussions

**Birth Year:** 1969



## PATRICK A. FOLEY

### **Educational Background and Business Experience**

**Education:** Saint John's University. Collegeville, MN (1994)  
Major – Psychology

**Business Experience:** Advisor, CTB Financial Services, Ltd  
(June 2017 to Present)  
Owner, Bella Custom Cabinetry (June 2014 to May 2017)  
Sr. Operations Manager, Orgel Wealth Management (Jan.  
2013 to Dec. 2013)  
Chief Operating Officer, Questar Capital Corporation (May  
2006 to June 2012)

**Disciplinary Information:** There are no legal or disciplinary  
events material to a client's or prospective client's evaluation.

**Additional Compensation:** Mr. Foley receives compensation  
for providing advisory services through CTB Financial.

**Supervision:** Mr. Foley is supervised by the Chief  
Compliance Officer, Jonathan Liang. Mr. Liang can be  
reached at (952) 546-5456. Supervision is conducted through  
the monitoring of e-mail and other correspondence, pre-  
review of marketing or sales material, regular direct-report  
meetings, and other executive-level discussions.

**Birth Year:** 1972



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**CTB Financial Services, Ltd.**

5811 South Cedar Lake Road | Minneapolis, MN 55416 | 952.546.5456 | [www.ctbfin.com](http://www.ctbfin.com)

Advisory Services offered through CTB Financial Services, Ltd., a Registered Investment Advisor