

**FORM ADV PART 2A**

Firm Brochure. March 27, 2023



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**March 27, 2023**

This brochure provides information about the qualifications and business practices of PDS Planning, Inc. If you have any questions about the contents of this brochure, please contact us at the above telephone and/or address. 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 PDS Planning, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to the Firm as a "registered investment advisor" or any other reference to being "registered" does not imply a certain level of training.

## **Item 2: Material Changes in the Last Twelve Months**

At least annually, this section will discuss only specific material changes made to our brochure and provide you with a summary of such changes. Additionally, reference to the date of the last annual update to this brochure will be provided.

Since the firm's most recent annual amendment filing on March 28, 2022, PDS Planning, Inc. made non-material fee-related disclosure revisions/clarifications at Items 4, 5, and 12 below. Our Chief Compliance Officer, Kurt M. Brown, remains available to address any questions.

PDS Planning, Inc. ensures that clients receive a summary of the material changes to its brochure within 120 days following the December 31<sup>st</sup> fiscal year end. In addition, PDS Planning may provide other disclosure information about material changes when they are made.

Our brochure may be requested free of charge by contacting our office at (614) 481-8449 or by contacting Kurt M. Brown, Chief Compliance Officer at [kbrown@pdsplanning.com](mailto:kbrown@pdsplanning.com). The document is also available on our corporate website <https://www.pdsplanning.com>.

As noted on the cover page, additional information about PDS Planning is also available via the SEC's website at [www.adviser.sec.gov](http://www.adviser.sec.gov). The website also provides information about any persons affiliated with PDS Planning who are registered as investment adviser representatives of PDS Planning, Inc.

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## Item 4: Advisory Business

### Company History

PDS Planning, Inc. (PDS) is a corporation founded in 1985 in the State of Ohio and was registered as an Investment Adviser Firm with the Securities & Exchange Commission in 1988. Owners and shareholders of PDS Planning are Rita M. Itsell, Jamie P. Menges, Kurt M. Brown, and James A. Rogers.

### Services Offered

PDS is a fee-only firm, and advisors adhere to a Code of Ethics to act in its clients' best interests at all times. PDS offers financial planning and investment advisory services. During our initial meetings with the client, information related to the client's financial standing, goals and objectives, family dynamics, professional circumstances, investment philosophy, and risk tolerance may be discussed. Using this information, PDS will determine how the client can be best served by our firm. This includes assessing the complexity of their financial plan, expected resources required to complete our planning objectives, and a fee estimate for us to engage the client in an advisory relationship. At that time, a contract is prepared and signed, setting forth the terms and conditions of engagement along with a description of the scope of the services to be provided.

Once a contract has been executed, it remains the client's responsibility to promptly notify PDS if there is any change in his/her financial situation or investment objectives.

### Financial Planning Services

PDS provides clients with customized financial planning reports and recommendations after analysis of the client's assets, liabilities, and income, and taking into account the client's goals and objectives in the following *possible* areas:

- **Personal Financial Statements:** Preparation of personal statement of net worth and cash flow requirements.
- **Retirement Planning:** Review sources of retirement income, possible dates of retirement, and the effect changes in inflation and rates of return might have on realizing retirement goals.
- **Investment Planning:** General investment planning, *not including Investment Advisory Services*.
- **Tax Planning:** Income tax review and planning for current and future years to help clients realize opportunities that may exist for their benefit within the tax code. We can coordinate with your tax preparer when necessary.
- **Estate Planning:** Review of account titling and beneficiary designations to ensure compliance with estate documents. We can coordinate with your attorney when necessary.
- **Planned Giving:** When applicable, we will help clients develop a planned giving strategy to charity, family, or other loved ones.
- **Insurance Planning:** Review of the impact a disability or unexpected death may have on your financial goals, and provide analysis and recommendations on current and future insurance policies you may have, or acquire.
- **Education Funding:** Project the expected cost of education goals, how to properly fund and determining if any resources are available to assist in funding this objective.
- **Executive Compensation:** Review and planning related to existing and future stock options in an effort to maximize value.
- **Business Planning:** When applicable, review of current business structure, tax considerations, retirement issues, and succession issues for closely-held businesses.

The report may be written, electronic, and/or oral in nature, and it may include recommendations regarding the aforementioned areas of importance to the client.

As indicated at Item 5 below, PDS offers its services on an annual flat, fixed fee basis. This fee is determined based upon a combination of various objective and subjective factors including but not limited to: portfolio composition; the scope and complexity of the engagement; the anticipated servicing needs; related accounts; the professional(s) rendering the service(s); competition, and negotiations with the client. **Please Note:** similarly situated clients could pay different fees, and the services to be provided by PDS to any particular client could be available from other advisers at lower fees.

*PDS' Chief Compliance Officer, Kurt M. Brown, remains available to address any questions that a client or prospective client may have regarding the above fee determination.*

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested by a client, PDS will generally provide planning and consulting services regarding non-investment related matters, such as tax and estate planning, insurance, etc. inclusive of our Financial Planning fee set forth at Item 5 below (exceptions may occur based upon client decision, advanced planning needs, special projects, etc. for which PDS may charge a mutually agreeable additional fee and/or stand-alone financial planning engagement). **Please Note:** Neither PDS, nor any of its employees (including Jamie P. Menges, who is a licensed CPA), serves as an attorney, accountant, or insurance agent for any PDS client, and no portion of PDS' services should be construed as same. Accordingly, PDS does not prepare legal documents, prepare tax returns, or sell insurance products for or to PDS clients. To the extent requested by a client, we may recommend the services of other professionals for non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from PDS and/or its representatives. At all times, the engaged unaffiliated professional(s) (i.e. attorney, accountant, insurance agent, etc.) and not PDS, shall be responsible for the quality and competency of the services provided.

*PDS' Chief Compliance Officer, Kurt M. Brown, remains available to address any questions that a client or prospective client may have regarding the above financial planning engagements and services.*

### **Investment Advisory Services**

PDS offers Investment Advisory (Investment Management/Portfolio Management) services to clients. PDS may prepare an Investment Policy Statement (IPS) for the client, which will serve as a guide for future investment decisions. The IPS, when applicable, will outline the client's general goals and preferences for risk, as well as general asset allocation targets for the client's managed portfolio. PDS, in consultation with the client, will design and monitor a client's managed investment portfolio. Clients may impose restrictions on investing in certain securities or types of securities.

PDS has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, PDS will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when PDS determines changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by PDS will be profitable or equal any specific performance level(s).

**Please Note: Retirement Rollovers-Potential for Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If PDS recommends a client roll over their retirement plan assets into an account to be managed by PDS, such a recommendation creates a conflict of interest if PDS will earn new (or increase its current) compensation as a result of the rollover. If PDS provided a recommendation as to whether a client should engage in a rollover or not (whether

it is from the employer's plan or an existing IRA), PDS is acting as a fiduciary with the meaning of Title I of the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both, as applicable, which are laws governing retirement accounts.

No client is under any obligation to roll over retirement plan assets to an account managed by PDS, whether it is from an employer's plan or an existing IRA, or to engage PDS to monitor and/or manage the account while maintained with the client's employer.

*PDS' Chief Compliance Officer, Kurt M. Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.*

PDS offers the services of Schwab Institutional. Managed advisory accounts are non-commission, fee-only, where mutual funds, exchange-traded-funds, separately managed accounts, stocks, bonds, CDs, and other individual securities may be held and managed.

**Client Obligations.** In performing our services, PDS shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, it remains each client's responsibility to promptly notify PDS if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

**Portfolio Activity.** PDS has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, PDS will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when PDS determines that changes to a client's portfolio are neither necessary, nor prudent. Clients remain subject to the fees described in Item 5 below during periods of account inactivity.

**Participant Directed Retirement Plans.** PDS may also provide investment advisory and consulting services to participant directed retirement plans. For such engagements, PDS shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by PDS), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process.

**Client Retirement Plan Assets.** If requested to do so, PDS shall provide investment advisory services relative to the client's 401(k) plan assets. In such event, PDS shall allocate the retirement account assets among the investment options available on the 401(k) platform. PDS shall be limited to the allocation of the assets among the investment alternatives available through the plan. PDS will not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to notify PDS of any changes in investment alternatives, restrictions, etc. pertaining to the retirement account.

#### **Miscellaneous**

**Custodian Charges-Additional Fees.** As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, PDS generally recommends that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including *Schwab*, generally (with the potential exception for large orders) do not currently charge fees on individual equity transactions

(including ETFs), others do. Please Note: there can be no assurance that Schwab will not change their transaction fee pricing in the future.

**Socially Responsible Investing Limitations.** *Socially Responsible Investing* involves the incorporation of Environmental, Social and Governance considerations into the investment due diligence process (“ESG”). There are potential limitations associated with allocating a portion of an investment portfolio in qualifying ESG securities (i.e., securities that have a mandate to avoid, when possible, investments in such products as alcohol, tobacco, firearms, oil drilling, gambling, etc.). The number of these securities may be limited when compared to those that do not maintain such a mandate. ESG securities could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange traded funds are fewer when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by PDS), there can be no assurance that investment in ESG securities or funds will be profitable, or prove successful. PDS does not maintain or advocate an ESG investment strategy, but will seek to employ ESG if directed by a client to do so.

**Cryptocurrency.** For clients who want exposure to cryptocurrencies, including Bitcoin, PDS will advise the client to consider a potential investment in corresponding exchange traded securities, or an allocation to separate account managers and/or private funds that provide cryptocurrency exposure. Crypto is a digital currency that can be used to buy goods and services, but uses an online ledger with strong cryptography (i.e., a method of protecting information and communications through the use of codes) to secure online transactions. Unlike conventional currencies issued by a monetary authority, cryptocurrencies are generally not controlled or regulated and their price is determined by the supply and demand of their market. Because cryptocurrency is currently considered to be a speculative investment, PDS will not exercise discretionary authority to purchase a cryptocurrency investment for client accounts. Rather, a client must expressly authorize the purchase of the cryptocurrency investment. **Please Note:** PDS does not recommend or advocate the purchase of, or investment in, cryptocurrencies. PDS considers such an investment to be speculative. **Please Also Note:** Clients who authorize the purchase of a cryptocurrency investment must be prepared for the potential for liquidity constraints, extreme price volatility and complete loss of principal.

**Other Assets.** To the extent that PDS provides advisory monitoring or review services for client investment assets for which PDS does not maintain custodian access or trading authority (including initial and ongoing consideration of such assets as part of the client’s asset allocation), PDS may determine to include such assets in its advisory fee calculation per Item 5 below.

**Cybersecurity Risk.** The information technology systems and networks that PDS and its third-party service providers use to provide services to PDS’s clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in PDS’s operations and result in the unauthorized acquisition or use of clients’ confidential or non-public personal information. Clients and PDS are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although PDS has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering PDS does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

As of December 31, 2022, PDS had \$1,045,587,285 total assets under management.

## Item 5: Fees and Compensation

Clients of PDS have the option of paying for services in two ways: 1) an annual fixed fee (fee for ongoing financial planning that may also include investment advisory services), or 2) a fee based on a percentage of assets managed for just investment advisory services. This fee is typically reserved for grandfathered clients and is not offered to new clients. Any client under this fee format can request a fee recalculation under the annual fixed fee format.

### Fixed Fee

The annual fixed fee is established at the beginning of the relationship and is determined based upon a combination of various objective and subjective factors including but not limited to: portfolio composition; the scope and complexity of the engagement; the anticipated servicing needs; related accounts; the professional(s) rendering the service(s); competition, and negotiations with the client. The annual fixed fee may include both Financial Planning and Investment Advisory (Investment Management/Portfolio Management) services. The annual fixed fee is billed monthly or quarterly, in advance. **Please Note:** In the event that a client adds or withdraws assets to accounts managed by PDS during a fixed fee engagement year, the amount of the prior mutually agreed upon annual fixed fee will neither be correspondingly increased or decreased during such engagement year. Rather, the amount of annual fixed fee is subject to review and adjustment for the subsequent engagement year.

In arriving at the fixed fees, our experience has shown us clients generally need one of three types of investment and/or planning service levels. Our pricing for each category varies on a number of factors, including but not limited to, the amount of time it will take to serve each client based on the number of meetings they will require, the amount of ongoing communication that will take place throughout the year, the research, services, and strategies that are necessary to help us make informed recommendations, and who will perform those services. Our belief is the three levels of service could be identified as such:

#### Portfolio Management

Some clients simply need assistance managing their portfolio(s). As practitioners, we believe financial planning findings should drive the vast majority of investment decisions. However, in certain circumstances there may be exceptions. Common examples include foundations, non-profit organizations, corporations, ultra-high net worth individuals, and family offices. A common theme among this category of client is they all seek an advisor who can perform portfolio management services for a fixed fee rather than the traditional asset-based management fee charged by most advisory firms.

#### Foundational Planning

For many, they need a professional who can chart a course for their personal finances, and arm them with the steps needed on a regular basis to help them build their financial foundation. Often, they need to rid some poor investment choices from their balance sheet and focus on the types of planning tools to support their goals. With their personal and professional life evolving, they need an advisor who can respond to changing circumstances and keep them on course for a successful future.

#### Comprehensive Wealth Management

Your life and balance sheet has become complex and requires advanced strategies and proactive advice. Of course, with significant wealth comes significant opportunities, but also complex questions. Planning around cash flow, education funding, taxes, insurance, stock options, private investments, and charitable intentions can help us craft a family wealth strategy tailored to your specific needs.

**Fee Dispersion.** As indicated above, PDS primarily offers its services on an annual flat, fixed fee basis. This fee is determined based upon a combination of various objective and subjective factors including but not limited to portfolio composition; the scope and complexity of the engagement; the anticipated servicing needs; related accounts; the professional(s) rendering the service(s); competition, and negotiations with the client. **Please Note:** As a result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. *PDS' Chief Compliance Officer, Kurt M. Brown, remains available to address any questions that a client or prospective client may have regarding advisory fees.*



### **Formerly Grandfathered Percentage of Assets Managed Fee**

PDS also offers stand-alone Investment Advisory Services with fees based on a percentage of assets under management (primarily limited to grandfathered accounts, although an exception can be made at PDS' discretion). Unless the client has been grandfathered from a previous assets under management schedule, the current schedule is as follows (*which is negotiable*):

- 1.00% per year of the first \$750,000 of assets under management
- 0.75% per year of the next \$750,000
- 0.50% per year of the next \$1,500,000
- 0.25% on all amounts above \$3 million

These *investment advisory fees are billed monthly or quarterly, in advance*, and are based on the value of the client's managed assets at the end of the previous month or quarter. The client may authorize the custodian(s), in writing, to debit the management fees from the account. The monthly statement the client receives from the custodian of the assets shows the fee debited and paid to PDS. Clients may also request to be billed directly. Prices for most assets are available through electronic download on a daily basis. However, daily prices may not be available for certain assets. In such cases, the most recent valuation may be used in calculating the value of assets for billing purposes.

If a client who engages PDS on a percentage of assets under management terminates the Financial Planning or Investment Advisory contract with PDS, all remaining monthly or quarterly fees pre-paid as of the date of termination will be refunded to the client.

*PDS' Chief Compliance Officer, Kurt M. Brown, remains available to address any questions that a client or prospective client may have regarding advisory fees.*

### **Limited Engagements**

PDS may also provide limited consulting services (i.e. college funding, retirement analysis, insurance review, etc.) on a stand-alone, mutually agreeable, separate-fee basis. In such engagements, PDS' obligation is concluded upon completion of the contracted service. Thereafter, it remains the client's exclusive responsibility to contact PDS if the client requires any follow-up review or other services.

### **Other Fees and Expenses Paid to Custodians**

PDS' fees are exclusive of transaction fees and other related costs and expenses imposed by custodians, which shall be incurred by the client. Fees such as wire transfer and electronic fund fees, as well as transaction fees may be incurred. For example, transaction fees are charged for certain no-load mutual funds. These fees/charges are in addition to PDS' investment advisory fee at Item 5 below. PDS does not receive any portion of these fees/charges.

PDS utilizes mutual funds and exchange traded funds for its client portfolios. In addition to PDS' Financial Planning or Investment Advisory fee and transaction fees described above, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). These are available in the fund's prospectus. PDS does not receive compensation for any portion of these fees.

**Independent Managers.** The PDS may allocate a portion of the client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager[s] shall have day-to-day responsibility for the active discretionary management of the allocated assets, including, to the extent applicable, proxy voting responsibility. PDS shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors PDS shall consider in recommending Independent Manager[s] include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. **Please Note.** The investment management fee charged by the Independent Manager[s] is separate from, and in addition to, PDS' Financial Planning or Investment Advisory fee disclosed at Item 5 below. **Any Questions:** PDS' Chief Compliance Officer, Kurt M. Brown, remains available to address any questions that a client or prospective client may have regarding the allocation of account assets to an Independent Manager(s), including the specific additional fee to be charged by such Independent Manager(s).

Item 11 below (Brokerage Practices) further describes the factors that PDS considers in selecting or recommending custodians for *client* transactions and determining the reasonableness of their compensation.

### **No Compensation for Selling Products**

Neither PDS nor its advisors accept compensation from the sale of securities or other investment/insurance products.

### **Non-Participation in Wrap Fee Programs**

PDS Planning does not participate in any wrap fee program.

### **Item 6: Performance-Based Fees**

PDS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client), because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

### **Item 7: Types of Clients**

PDS' clients generally include high net worth individuals, individuals, business entities, corporate trusts, pension plans, charitable institutions, and non-profit corporations.

### **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

PDS usually allocates (or recommends the client allocate) investment assets among various exchange-traded funds (ETFs), mutual funds, separately managed accounts, individual equity & fixed-income securities and/or cash equivalents in accordance with the client's investment objectives.

For exchange-traded funds (ETFs), mutual funds, and separately managed accounts the analysis generally includes a review of:

- Fee structure
- Tracking error
- Historical risk and return measurements, sector exposures
- Liquidity and marketability issues
- Management team
- Other factors considered relevant

For individual stocks and securities, where PDS is making final purchase or sale decisions, the review *may* include the following methods of analysis:

- Fundamental analysis looks at historical and present data, with the goal of making financial forecasts.
- Cyclical analysis looks at the historical relationships between prices and market trends, with the goal of forecasting the direction of prices.
- Technical analysis looks at price and volume data via charts, with the goal of using pattern movements to predict future price movement.

Sources of information include corporate financial filings and reports, third-party research reports, research from Morningstar, Inc. (especially for mutual funds and ETFs), corporate rating services, company press releases, and/or other financial publications. The investment strategies used to implement any investment advice given to clients may include the following:

- Long-term purchases, where securities are held at least a year
- Short-term purchases, where securities are sold within a year
- Short selling, where investors sell securities they do not own
- Margin transactions, where account assets are borrowed to purchase securities

- Options, where an investor contracts for the purchase or sale of a security at a predetermined price during a specific period of time.

Short selling, margin transactions and options can have a high degree of inherent risk. While PDS has the ability to recommend any of the above strategies, it will use the last three only when requested by and after discussion with the client.

### Investment Risk

All investing strategies involve risk. Different types of investments involve varying degrees of risk, and *it should not be assumed* the future performance of any specific investment or investment strategy (including the investments or investment strategies undertaken by PDS) will be profitable or equal any specific performance level(s). Investing in securities involves risk of loss that clients should be prepared to bear. Investors may face the following investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of an ETF, mutual fund, individual security or bond may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Inflation Risk: When any type of inflation is present, a dollar tomorrow will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the local currency of the originating country. This is also referred to as exchange-rate risk.
- Reinvestment Risk: This is the risk future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like. In addition, individual companies may exhibit risk associated with specific events, changes in leadership, products, and consumer preferences.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### Item 9: Disciplinary Information

PDS has not been the subject of any disciplinary actions.

### Item 10: Other Financial Industry Activities and Affiliations

PDS has no other business activities other than those already disclosed in this document, and it is not affiliated with any broker-dealer, bank, insurance company, accounting or law firm. Neither PDS nor its advisors are registered as a broker-dealer or a registered representative of a broker-dealer.

### Item 11: Code of Ethics, Employee Personal Trading

The employees of PDS have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. PDS has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and *fiduciary* duty to its clients. All persons at PDS Planning must acknowledge the terms of the Code of Ethics annually as part of the acknowledgement of the Written Compliance & Supervisory Procedures Manual.

Our fiduciary duty compels all employees to act with the utmost integrity in all of our dealings. This fiduciary duty is the core principle underlying the Code of Ethics.

PDS Planning believes in placing our clients' best interests first. We commit to the following five principles:

- We will put clients' best interests first.
- We will act with the skill, care, diligence and good judgment of a professional.
- We will not mislead clients, and we will provide conspicuous, full, and fair disclosure of important facts.
- We will strive to avoid conflicts of interest.
- We will fully disclose and fairly manage, in your favor, any unavoidable conflicts.

Employees of PDS may buy or sell securities that are also held by clients. In order to monitor personal securities transactions of employees, approval of individual stock trades by the Chief Compliance Officer (or another officer) is required *prior to the trades* being executed. Employees may not trade individual stock positions ahead of expected client trades. Employees of PDS Planning comply with the provisions of the PDS Written Compliance and Supervisory Procedures Manual.

Neither PDS nor its employees recommend, buy, or sell for client accounts securities in which PDS Planning or its employees have a material financial interest.

### Item 12: Brokerage Practices

PDS suggests that the institutional services of Charles Schwab & Co, Inc. (Schwab), a broker-dealer, be employed for the purchase and custody of securities. PDS believes this firm offers acceptable service, execution capabilities, and reasonable fees. There are no commissions charged in client advisory accounts. Schwab may charge nominal execution (transaction) fees for executing transactions. Other factors for the recommendation include Schwab's historical relationship with PDS, the company's financial strength, and its reputation.

Although the transaction fees paid by PDS' clients will be consistent with PDS' duty to seek best execution, a client may pay a fee higher than another qualified broker-dealer might charge for the same transaction when PDS determines, in good faith, that the transaction fee is reasonable in relation to the value of the overall brokerage and research services received.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, transaction costs, and responsiveness. It is therefore possible PDS may not necessarily obtain the lowest possible fees for transactions.

PDS' best execution responsibility is qualified if securities it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

## Research and Benefits

Although not a material consideration when determining whether to recommend a client utilize the services of a particular broker-dealer/custodian, PDS can receive from Schwab (or another broker-dealer/custodian, investment manager, platform sponsor, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist PDS to better monitor and service client accounts maintained at such institutions. Included within the support services obtained by PDS can be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, and/or other products used by PDS in furtherance of its investment advisory business operations.

PDS' clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by PDS to Schwab, or any other any entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

*PDS' Chief Compliance Officer, Kurt M. Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.*

## Directed Brokerage

PDS recommends its clients utilize the brokerage and custodial services provided by Schwab. The Firm generally does not accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer), but could make exceptions. In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Firm will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by PDS. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event the client directs PDS to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges such direction may cause the accounts to incur higher transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through PDS. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

## Trade Aggregation Policy

Transactions for each client account generally will be effected independently, unless PDS decides to purchase or sell the same securities for several clients at approximately the same time. PDS may (but is not obligated to) combine or "bunch" such orders to obtain better price execution, to negotiate more favorable commission rates or to allocate equitably among PDS' clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. PDS shall not receive any additional compensation or remuneration as a result of such aggregation.

As indicated at Item 12 above, PDS can receive from Schwab without cost (and/or at a discount), support services and/or products. PDS' clients do not pay more for investment transactions effected and/or assets maintained at Schwab (or any other institution) as result of this arrangement. There is no corresponding commitment made by PDS to Schwab, or to any other entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

PDS does not maintain solicitor arrangements. PDS does not compensate third parties for client introductions.

*PDS' Chief Compliance Officer, Kurt Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.*

### **Item 13: Review of Accounts**

Client reviews are prepared in accordance with the client's Investment Advisory or Financial Planning Agreement and more frequently if circumstances dictate. Such circumstances include, but are not limited to, changes in market conditions, tax laws, and individual personal situations. The level of review will be determined by the complexity of the portfolio, the client's Investment Policy Statement (where applicable), and the factors that trigger the review. Clients are encouraged to review their financial situation, investment objectives, and account performance with PDS at least annually. Additionally, clients are advised it remains their responsibility to advise PDS of any changes in their investment objectives and/or financial situation.

Clients are provided, at least quarterly, with transaction confirmation notices and regular account statements directly from the account custodian. PDS may also provide a periodic report summarizing account activity and performance, either online via secure website or hard copy via standard mail. Clients should carefully review the custodian's statements and should compare these statements to the reports from PDS.

PDS makes no representation with respect to legal or tax matters, and it is the client's responsibility to consult with legal or tax counsel as necessary.

### **Item 14: Client Referrals and Other Compensation**

PDS does not compensate anyone or any company for client referrals.

### **Item 15: Custody**

PDS shall have the ability to deduct its advisory fee from the client's custodial account. Clients are provided with written or electronic transaction confirmation notices, and a written or electronic summary account statement directly from the custodian (i.e., Schwab, etc.) at least quarterly. To the extent that PDS provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by PDS with the account statements received from the account custodian. The account custodian does not verify the accuracy of PDS' advisory fee calculation.

PDS engages in other practices and/or services (i.e., password possession and standing letters of authorization) on behalf of its clients that require disclosure at the Custody section of Part 1 of Form ADV, which practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940.

*PDS' Chief Compliance Officer, Kurt M. Brown, remains available to address any questions that a client or prospective client may have regarding custody-related issues.*

### **Item 16: Investment Discretion**

PDS may receive discretionary authority from the client to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the investment objectives for the particular client account. Discretionary authority is specifically given (by default) or denied on each client contract. When selecting securities and determining amounts, PDS observes the investment policies, limitations and restrictions of the clients for whom it advises.

Clients who engage PDS on a non-discretionary investment advisory basis *must be willing to accept* that PDS cannot effect account transactions without obtaining prior verbal or written consent from the client, with the following exceptions: PDS may make sales of securities in non-discretionary client accounts as needed 1) for cash distributions to clients and 2) for fee billings that are debited directly from client accounts. PDS may also effect inter-class exchanges of mutual funds, where existing shares are exchanged for lower-cost (lower-expense) shares, without client consent.

Thus, in the event of a significant market increase or decrease during which the non-discretionary client is unavailable, PDS will be unable to effect any account transactions (as it would for its discretionary clients) *without first obtaining the client's verbal or written consent*. For this reason, PDS recommends clients provide us investment discretion.

Any and all investment guidelines and restrictions must be provided to PDS in writing.

#### **Item 17: Voting Client Securities**

As a matter of firm policy and practice, PDS does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios, unless the client has elected to delegate the voting rights to the separate manager in an SMA. Clients will receive proxies directly from the custodians or transfer agents. PDS may answer questions and/or provide *advice* to clients regarding the voting of proxies.

#### **Item 18: Financial Information**

PDS does not require clients to pay fees of more than \$1,200, per client, six months or more in advance.

PDS is unaware of any financial condition reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients, and it has not been the subject of a bankruptcy proceeding.

*PDS' Chief Compliance Officer, Kurt M. Brown, remains available to address any questions regarding this Parts 2A.*