

## Client Relationship Summary (Form CRS): A Client's Q&A 6/1/20

### Item 1: Introduction: Who are you?

**Answer:** **Advanced Advisor Group, DBA: EFS Advisors**, an SEC-Registered Investment Adviser and Broker/Dealer, member of FINRA and SIPC (for more information see [finra.org](http://finra.org) and [brokercheck.finra.org](http://brokercheck.finra.org))

It is important for you to understand the differences between brokerage and investment advisory services. Visit [Investor.gov/CRS](http://Investor.gov/CRS) for free and simple tools to research firms, financial professionals, and for educational materials about broker-dealers, investment advisers, and investing.

### Item 2: Services: What investment services and advice can you provide me?

**Answer:** We provide both brokerage and investment advisory services to you. Our brokerage services offer the purchase and sale of mutual funds and variable annuities. Our investment advisory services encompass financial planning, portfolio management, and educational seminars, all covered under our fee schedule, discussed later in this document.

We do not provide account monitoring services for brokerage accounts, however, we may periodically monitor your account to ensure the continued suitability of our recommendations to you. Our representatives make recommendations but you make the final decision regarding buying and selling in your account. We impose no minimum account value, however, fund-driven minimums may exist for certain investments held the product carriers we work with

We offer account monitoring for investment advisory accounts and monitor accounts no less frequently than annually. Per our Form ADV 2A and Investment Advisory Agreement, we will claim authority to buy and sell investments in your account without asking you in advance. Custodian or mutual fund-driven minimums exist for certain investments held with our product programs through TD Ameritrade and Fidelity. These minimums vary and we do not determine them. We do not offer proprietary products. **Further information about our advisory services may be found in Items 4 and 7 of our Form ADV Part 2A.**

#### Other questions for the client to keep in mind:

*Given my financial situation, should I choose an investment advisory service? Why or why not?*

*How will you choose investments to recommend to me?*

*What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?*

### Item 3: What fees will I pay?

**Answer:** For brokerage accounts, the fees you will pay vary depending on the product you and your representative decide is best for you. Mutual fund products will charge some or all of the following: transaction-based sales charges (which you pay each time you make a purchase into the mutual fund), annual account maintenance fees, and underlying expenses specific to the mutual fund. **Transaction-based sales charges create conflicts of interest described in items 4 & 12 of the attached Conflicts of Interest Inventory.**

Variable annuity products will charge some or all of the following: mortality and expense fees, charges for particular riders if selected, administration charges, and investment option fees. You may also pay a surrender charge if money is withdrawn from the annuity prior to a specific date. **Variable annuities often pay higher sales commissions, a conflict of interest described in item 4 of the attached Conflicts of Interest Inventory.**

For investment advisory accounts, we charge a quarterly fee based on a percentage of the account value. We also offer an hourly financial consulting fee option for clients with shorter-term and one-time needs. These fees are described in further detail in Item 5 of our Form ADV 2A and Item 4 of our Investment Advisory Agreement. **These fee structures create conflicts of interest described in items 1 & 3 of the attached Conflicts of Interest Inventory.** You also may pay fees associated with the underlying investments selected for your account or short-term redemption fees, none of which we receive.

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Make sure you understand what fees and costs you are paying.

#### Question for the client to keep in mind:

*Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?*

*What are your legal obligations to me when providing recommendations as my broker/dealer or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?*

**Answer:** When we provide you with a recommendation as your Broker/Dealer or act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are some examples to help you understand what this means. **We receive additional financial and non-financial payments from third parties beyond our advisory or hourly fees we receive from you. These payments create conflicts of interest described in further detail in items 4, 9 and 10 of the attached Conflicts of Interest Inventory.**

#### Question for the client to keep in mind:

*How might your conflicts of interest affect me and how will you address them?*

*How do your financial professionals make money?*

**Answer:** On brokerage accounts, our financial professionals receive a portion of the total commissions earned for product sales that our firm receives from fund companies and annuity carriers with whom we work. **This creates a conflict of interest described in items 4 and 12 of the attached Conflicts of Interest Inventory.**

On investment advisory accounts, our financial professionals receive a portion of the total advisory fee you pay us as disclosed in Item 5 of our Form ADV 2A and Item 4 of our Investment Advisory Agreement. A financial professional's portion of the advisory fee increases based on the amount of assets s/he manages. **This creates conflicts of interest described in items 1 & 2 of the attached Conflicts of Interest Inventory.** As previously mentioned, each of our financial professionals are registered as broker/dealer agents and insurance sales agents, for which commissions are earned for product sales. **This creates a conflict of interest described in item 4 of the attached Conflicts of Interest Inventory.**

Lastly, other various financial and non-financial compensation also is available to our financial professionals. **This creates conflicts of interest described in items 5, and 11 of the attached Conflicts of Interest Inventory.**

**Item 4: Do you or your financial professionals have legal or disciplinary history?**

**Answer:** Yes. However, disciplinary histories can vary. For exact, up to date information, visit [Investor.gov/CRS](http://Investor.gov/CRS) for a free and simple search tool to research us and our financial professionals.

**Question for the client to keep in mind:**

*As a financial professional, do you have any disciplinary history? If so, for what kind of conduct?*

**Item 5: Where do I find additional information about you or request a copy of Form CRS?**

**Answer:** Additional information about us may be found at [www.efsadvisors.com](http://www.efsadvisors.com) or [www.advancedadvisors.net](http://www.advancedadvisors.net).

A form CRS may be requested by contacting Advanced Advisors Group/EFS Advisors at (877) 403-2374. Additional information can be obtained by visiting the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or FINRA Brokercheck at <https://brokercheck.finra.org>.

**Question for the client to keep in mind:**

*Who is my primary contact person? Is s/he a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?*

# Conflicts of Interest Inventory

- 1) **Advisory fee calculated on the basis of assets under management:** There exists an incentive to take actions to increase assets under management by encouraging more risk from the client or inducing the client to invest more than might otherwise be proper in order to increase the amount of fees earned on the basis of more assets.
- 2) **Representative payout based on assets under management:** There exists an incentive to increase assets under management by encouraging more risk from the client or inducing the client to invest more than might otherwise be proper in order to amass more assets under management and place the representative into a higher payout bracket with the Firm.
- 3) **Hourly fee financial consulting:** There exists an incentive to lengthen an engagement in order to charge the hourly rate for longer periods of time.
- 4) **Registrations as broker/dealer, broker/dealer agents, insurance agency, and insurance agents:** There exists an incentive to steer a client toward products that pay sale commissions, higher sales commissions, 12b-1 fees, trail commissions, or other third-party financial remuneration regardless of the client's best interest. These commissions are in addition to any fees paid by an investment advisory client.
- 5) **Arrangement between ELS and Lifesprk:** Affiliated insurance agency, Educators Lifetime Solutions (ELS), receives from Lifesprk, a provider of in-home elder care services, a 3% revenue share of premiums paid by clients subscribed to Lifesprk who were referred by EFS representatives. Of this 3%, the EFS representative receives 63% of the revenue share. This encourages the EFS representative to refer clients to Lifesprk regardless of the services offered or fees charged by other providers of similar services.
- 6) **EFS Advisors Choice administration fee:** EFS charges a \$14 per year administrative fee to EFS Advisors Choice clients with account balances under \$25,000. This fee is assessed quarterly at a rate of \$3.50 per quarter and creates an incentive for EFS to recommend the EFS Advisors Choice program ahead of other available programs we provide.
- 7) **EFS Advisors Choice loan admin fee:** EFS charges a loan initiation fee of \$100 per loan and a quarterly administration fee of \$15 per loan to EFS Advisors Choice clients who take a loan against their account. This fee is paid by the client taking the loan and creates an incentive for EFS to recommend loans taken against EFS Choice accounts.
- 8) **EFS Advisors Choice 12b-1 and other fees:** EFS receives, either directly or through its affiliated broker/dealer, Advanced Advisor Group, 12b-1 fees, service fees, and/or recordkeeping fees from mutual funds held under the EFS Advisors Choice 403b product program and 12b-1 fees, sub-transfer agent fees, and/or commission payments from fixed interest funds. These fees are separate from and in

addition to our advisory fees and create an incentive for us to recommend investments that pay these fees regardless of the client's investment needs.

- 9) **Education Minnesota-ESI (EdMN-ESI):** EFS and EdMN-ESI have entered into a marketing agreement whereby 1) EFS is the exclusive marketing organization to market and deliver the EdMN-ESI financial services program 2) EFS pays EdMN-ESI a flat monthly fee and additionally reimburses EdMN-ESI for expenses EdMN-ESI incurs for workshops and seminars where EFS representatives appear to prospect for new clients 3) EFS pays EdMN-ESI an exhibitor fee when exhibiting at EdMN-sponsored events 4) EFS, at the direction of EdMN-ESI, uses only union-approved printshops when printing materials bearing the EdMN emblem. 5) several EFS representatives maintain offices within EdMN field offices, for which EFS and/or the representative(s) pay rent to EdMN-ESI. These practices place EdMN-ESI in a position to influence EFS, its decision-making, and its business practices.
- 10) **Sponsorship fees:** EFS receives flat sponsorship fee payments from fund companies, product carriers, and custodians in exchange for presenting at EFS firm-wide meetings. Through this sponsorship fee, fund companies, product carriers, and custodians directly pay for expenses of these meetings. These payments could potentially influence EFS or its representatives to make investment recommendations of the entities that paid expenses for and presented at these firm-wide meetings.
- 11) **Incentives:** EFS offers various financial and non-financial compensation to representatives who reach predetermined production goals. Attainment of production goals is calculated based on the dollar amount of production brought to the Firm. All dollar amounts are calculated equally; no business line or product type is afforded greater or lesser weighting than another.
- 12) **Transaction-based sales charges:** When financial compensation is based on the completion of a sales transaction, it creates an incentive to complete a series of corresponding buy and sell transactions in a short period of time to generate greater commissions at a client's expense, a practice known as "churning an account".