

# Innovative Financial Solutions, Inc.

Registered Investment Advisor  
CRD # 289906

2370 W. Ray Road, Suite 3  
Chandler, AZ 85224

Tel: (480) 345-8540

Fax: (480) 345-8530

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

## Form ADV Part 2A

### Firm Brochure

March 30, 2023

This brochure provides information about the qualifications and business practices of Innovative Financial Solutions, Inc. Please contact Alexander Telidis at (480) 345-8540 if you have any questions about the content of this brochure.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or any state securities administrator. Additional information about Innovative Financial Solutions, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD ("CRD") number, which is 289906.

While the advisory firm and anyone associated with it may be registered and/or licensed within a particular jurisdiction, that registration and/or licensing in itself does not imply an endorsement by any regulatory authority, nor does it imply a certain level of skill or training on the part of the firm or its associated personnel.

## **Item 2 - Material Changes**

Innovative Financial Solutions, Inc. amended its Form ADV Part 2A from the previous version dated March 23, 2022 due to:

- update to our reportable assets under management as of our fiscal year end (Item 4)
- changes to our advisory services and associated fees (Items 4 and 5)

Our firm may update this document at any time and either send a copy of its updated brochure or provide a summary of material changes to its brochure and an offer to send an electronic or hard copy form of the updated brochure. Clients are also able to download this brochure from the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or may contact our firm at (480) 345-8540 to request a copy at any time.

As with all firm documents, clients and prospective clients are encouraged to review this brochure in its entirety and are encouraged to ask questions at any time prior to or throughout the engagement.

**Item 3 - Table of Contents**

Item 1 - Cover Page ..... 1

Item 2 - Material Changes ..... 2

Item 3 - Table of Contents ..... 3

Item 4 - Advisory Business..... 4

Item 5 - Fees and Compensation..... 8

Item 6 - Performance-Based Fees and Side-By-Side Management..... 12

Item 7 - Types of Clients ..... 12

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss ..... 12

Item 9 - Disciplinary Information..... 17

Item 10 - Other Financial Industry Activities and Affiliations..... 17

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ..... 18

Item 12 - Brokerage Practices ..... 19

Item 13 - Review of Accounts..... 22

Item 14 - Client Referrals and Other Compensation ..... 23

Item 15 - Custody ..... 25

Item 16 - Investment Discretion..... 25

Item 17 - Voting Client Securities ..... 26

Item 18 - Financial Information ..... 27

Item 19 - Requirements for State-Registered Advisers..... 27

**Important Information**

Throughout this document Innovative Financial Solutions, Inc. shall also be referred to as “the firm,” “firm,” “our,” “we” or “us.” The client or prospective client may be also referred to as “you,” “your,” etc., and refers to a client engagement involving a single *person* as well as two or more *persons* and may refer to natural persons and legal entities. The term “advisor” and “adviser” are used interchangeably where accuracy in identification is necessary (e.g., internet address, etc.).

Our firm maintains a business continuity plan that is integrated within the organization to ensure it appropriately responds to events that pose a significant disruption to its operations. A statement concerning the current plan is available under separate cover upon request.

#### **Item 4 - Advisory Business**

Innovative Financial Solutions, Inc. is an Arizona corporation formed in July of 2003 for general business purposes and became registered as an investment advisor in November of 2017. There are no subsidiaries nor is the firm controlled by another financial services industry entity.

Alexander Telidis, CFP® is the firm's President and serves as Chief Compliance Officer (firm supervisor). Mr. Telidis maintains controlling interest. Information about the principal executive's background may be found toward the end of this document as well as within his brochure supplement.

Innovative Financial Solutions, Inc. financial planning services provide clients with advice on key topics such as cash flow and budgeting, funding a college education, retirement, and risk management, estate or tax planning, among others. Ongoing and continuous supervision of clients' accounts are provided through our portfolio management services offering as well as incorporating institutional investment managers into the engagement. We provide periodic educational workshops involving a broad range of planning and investing topics, and we are available to assist plan sponsors via our retirement plan services.

An initial interview is conducted with the client to discuss their current situation and goals, as well as the scope of our firm's services that may be provided. Prior to or during this first meeting, the client will be provided with this Form ADV Part 2 firm brochure that includes a statement involving our privacy policy (see Item 11), as well as a brochure supplement about the representative who will be assisting them. The firm will disclose any material conflicts of interest that could be reasonably expected to impair the rendering of unbiased and objective advice; such as information found in Items 10 through 12 of this brochure.

If the client wishes to engage our firm for its services, they must first execute our engagement agreement. Thereafter further discussion and analysis will be conducted to determine financial needs, goals, holdings, etc. Depending on the scope of the engagement, the client may be asked to provide copies of the following documents early in the process:

- Wills, codicils and trusts
- Insurance policies, including information about riders, loans and amendments
- Mortgage information
- Tax returns
- Student loans
- Divorce decree or separation agreement
- Current financial specifics including W-2s, 1099s, K-1 statements, etc.
- Information on current retirement plans and other benefits provided by an employer
- Statements reflecting current investments in retirement and non-retirement accounts
- Employment or other business agreements
- Completed risk profile questionnaires or other forms provided by our firm

It is important that we are provided with an adequate level of information and supporting documentation throughout the term of the engagement including but not limited to: source of funds, income levels, and an account holder or attorney-in-fact's authority to act on behalf of the account, among other information that may be necessary for our services.

The information and/or financial statements provided to us need to be accurate. Our firm may, but is not obligated to, verify the information that has been provided to us which will then be used in the advisory process. It is essential that the client inform our firm of significant issues that may call for an update to their financial plan or investment portfolio.

### ***Financial Planning***

We will help you to identify your goals and work with you to implement a series of strategies and solutions that will help you to realize your vision for the future. Our planning services result in a customized report that is as comprehensive or narrowly focused as you desire. Planning services are described in the offerings:

#### **Comprehensive Financial Planning**

We have a process over a series of meetings to help you to identify your goals and work with you to implement a series of strategies and solutions that will help you to realize your vision for the future. Planning areas may include: cash flow and budgeting, education funding, retirement planning, risk management, estate planning, or an analysis of your current portfolio. Our planning services result in a customized report that is as comprehensive or narrowly focused as you desire.

#### **Getting Started Planning (exclusively available on referral basis for existing Clients)**

This package is available primarily for relatives or children of our existing clients. This is typically for someone who is getting started in life or with their planning. They are looking for financial answers specific to their circumstances, or answers to more simplistic questions, such as: How much house can I buy? How do I invest in my 401k? What is better, a Roth IRA or Traditional IRA? Where is the best place to put my savings? Can you help me enroll in my employer's benefits program? Did I pick the right insurance?

#### **Services Included:**

- Typically, a client will get an initial 15-30 minute discovery call to ask any questions, get a sense of what is concerning them and confirm if they want to move forward with our firm.
- The client completes our forms sent to them prior to further meetings to assist us in the fact-finding process, as well as a list of specific questions or areas of concern.
- Will receive 60-90 minute meeting (either face-to-face or electronic) to review work in progress.
- We provide written strategy or recommendations.
- Client has 90 days to ask additional questions concerning their plan.

### ***Investment Management***

Clients may engage our firm to implement investment strategies that we have recommended. We will review the client's objectives, time horizon, tolerance for risk, as well as any reasonable restrictions required for the account (e.g., types of securities, etc.) and we will annotate these within stated investment guidelines. Depending on the client's risk profile, goals and needs, among other considerations, their portfolio will be allocated into an allocation described in Item 8, and our fee rate is noted in Item 5. We serve portfolio management accounts on a nondiscretionary or discretionary basis as defined in Item 16.

Following our review and/or plan development, we may recommend that you engage our firm on a discretionary or non-discretionary basis. If we manage investment portfolios on a discretionary basis (meaning we buy and sell securities for your portfolio without contacting you prior to the transaction for authorization). We offer this service either on a continuous and regular basis or on a periodic basis. If our

portfolio management services are provided on a continuous basis, we will charge you an annual asset-based fee as noted in Item 5.

On a non-discretionary basis, we may recommend that you engage an institutional investment manager to serve your portfolio. Prior to recommending a third-party investment manager, we will conduct what we believe to be an appropriate level of due diligence that includes ensuring the external investment manager is appropriately registered or notice-filed within your state of residence.

Clients may be required to maintain a minimum account size to be eligible for these services, and certain third-party investment managers may require a higher asset-level to invest in their program. We will inform you in advance of investment manager's minimum criteria. Under this type of engagement, we will gather input from you about your financial situation, investment objectives, reasonable restrictions you may want to impose on the management of the account, and we will then provide this information to the investment manager to develop your portfolio. The investment manager will invest on behalf of a client account in accordance with the strategies set forth in their own disclosure documents which will be provided to you by our firm prior to your employing their strategies. The selected investment manager typically assumes discretionary authority over an account, and some of these programs may not be available for those clients who prefer an account to be managed under a nondiscretionary engagement or whom may have other unique account restrictions.

### ***Educational Workshops***

We provide complimentary educational seminar sessions involving personal finance and investing. Topics may include issues related to general financial planning, educational funding, estate planning, retirement strategies, implications involving changes in marital status, and various other current economic or investment topics. Our workshops are educational in nature and do not involve the solicitation of insurance or investment products.

### ***Retirement Plan Services***

Our firm is available to assist retirement plan sponsors in understanding the scope of their duties and responsibilities, assist them with their investment options, and provide general advice and support during retirement plan group enrollment. We provide our plan services as a limited scope fiduciary per § 3(21) of the Employee Retirement Income Security Act of 1974 (ERISA). We do not serve as plan advisor pursuant to ERISA § 3(38), investment manager or plan administrator. Investment selection and rebalancing will be accomplished by plan participants on a self-directed basis.

### ***Wrap Fee Programs***

Our firm does not sponsor or serve as a portfolio manager in an investment program involving wrapped (bundled) fees.

### ***Client Assets Under Management***

As of December 31, 2022, our firm had approximately \$87,285,304 of client reportable assets under our management on a discretionary basis and \$2,435,062 on a non-discretionary basis.<sup>1</sup>

---

<sup>1</sup> The term "assets under management" and rounding per the SEC's *General Instructions for Part 2 of Form ADV*.

## **Retirement Plan Advice and Rollovers**

As a registered investment adviser, our firm is a fiduciary to every client, meaning that we are obligated to act in our clients' best interests at all times. In addition to our fiduciary status as an investment adviser firm, when our firm provides advice to retirement investors, such as advice on an employer-sponsored retirement plan, Individual Retirement Account (IRA) or other qualified retirement plan, we may also be considered by the Department of Labor and the Internal Revenue Service to be acting as a fiduciary under Title I of ERISA and the Internal Revenue Code. These fiduciary obligations include requirements that we disclose our services and fees, conflicts of interest, and the reasons our recommendations are in the client's best interests.

After an analysis of the client's situation and plan documents, we will consider relevant factors including but not limited to the following:

- Alternatives to rolling the employer plan to an IRA, including leaving the money in an employer's retirement plan (if permitted); rolling the money to a new employer plan if available; or cashing out;
- The fees and expenses associated with both the employer's plan and the rollover IRA (or other alternatives such as noted above) and whether the employer currently pays for some or all of the plan's expenses;
- The different levels of services and investments available under the employer plan and the rollover IRA, and other alternatives;
- Evidence that a rollover is the most appropriate choice in light of any additional costs and the resultant decrease in the client's returns;
- How withdrawals are treated under each alternative (*e.g.*, penalties up to age 55 vs. 59-1/2);
- Protection from creditors and legal judgments (unlimited vs. bankruptcy only; federal- and state-specific);
- Required minimum distributions;
- Tax implications of rolling shares of employer stock;
- The impact of economically significant investment features such as surrender schedules and index annuity cap and participation rates (such as in an employer-sponsored 403(b) plan account);
- Any other relevant variables particular to the client's situation.

The client will be made aware of conflicts of interest including but not limited to whether our firm will profit from a recommendation through financial planning and/or investment management fees, and whether services we offer are already provided by or available through the current plan, potentially at no additional cost.

## **Item 5 - Fees and Compensation**

Forms of payment are based on the types of services being provided, term of service, etc., and will be stated in your engagement agreement with our firm. Our published fees are negotiable, and we typically waive or discount our fee for firm associates, their family members, centers of influence and legacy accounts. Fees may be paid to our firm by check or draft from US-based financial institutions. With your prior authorization payment may also be made by credit or debit card through a qualified, unaffiliated PCI compliant<sup>2</sup> third-party processor, or via withdrawal from your investment account held at your custodian of record. Our firm does not accept cash, money orders or similar forms of payment for its engagements.

### ***Financial Planning***

Our planning engagement clients are assessed fixed fees that range from \$1,000 to \$20,000. Our fee will take into consideration factors such as the complexity of your financial profile, the depth of services to be provided through the engagement, assets that comprise your overall portfolio, number of accounts comprising the portfolio, implementation of plan components via our firm or by the client, time involved in the engagement, among others. Since each client and their situation is unique, and certain plan components may weigh heavier than others, we do not offer nor would it be practical to provide a “menu of services” with correlating fees. A deposit of \$500 or one-half of the quoted fee (whichever is greater) is required upon execution of our engagement agreement, and the remaining portion will be due upon invoice and concurrent with delivery of your plan.

Limited-scope planning engagements are typically assessed an hourly fee. Our rate is \$420 per hour; billed in 15-minute, and partial increments will be treated as a whole increment. Prior to entering into an agreement with our firm, you will receive an estimate of the overall cost based on your requirements and the time involved. No deposit is required; payment in full is required at delivery of our invoice which coincides with the presentation of your plan. An hourly engagement lasting more than one month is billed at the end of each month for time incurred.

Engagements with our firm do not require that we collect fees from you of \$500 or more for our advisory services that we have agreed to perform six months or more into the future. The firm is charged with ensuring planning services are rendered prior to that deadline.

### ***Portfolio Management***

Investment accounts managed by our firm are assessed an annualized asset-based fee that ranges from 0.65% to 1.60% (65 to 160 basis points). The fee is to be in advance of each quarter based upon the following fee schedule:

First \$250,000	at 1.60%
Next \$250,000	at 1.30%
Next \$500,000	at 1.00%
Next \$2,000,000	at 0.85%
Next \$2,000,000	at 0.75%
Over \$5,000,000	at 0.65%

(Fees are negotiable, however, at our discretion)

---

<sup>2</sup> For an explanation of the term “PCI,” who the PCI Security Standards Council is, as well as its comprehensive standards to enhance payment card data security, please go to [https://www.pcisecuritystandards.org/security\\_standards/index.php](https://www.pcisecuritystandards.org/security_standards/index.php)



Account fees, including debits and credits, will be noted on account statements that you receive from your account custodian on at least a quarterly basis if fees are debited from the account. The fee will be determined by the reporting account value as of the last market day of each quarter,<sup>3</sup> and in consonance with the statement you will receive from your custodian of record for the purpose of verifying the computation of our advisory fee. The fee is calculated by multiplying the quotient by the applicable number of basis points (one basis point equals 1/100 of one percent). The result is then divided by four to determine the quarterly fee.

In the rare absence of a reportable market value, our firm may seek a third-party opinion from a recognized industry source (e.g., unaffiliated public accounting firm), and our clients may choose to separately seek such an opinion at their own expense as to the valuation of “hard-to-price” securities if necessary.

The first billing cycle will begin once the client agreement is executed and account assets have settled into your separately identifiable account held by your custodian of record. Fees for partial quarters will be prorated based on the remaining days in the reporting period in which the firm services the account. Your written authorization is required in order for the custodian of record to deduct advisory fees from your account. By signing our firm’s engagement agreement, as well as the custodian account opening documents, you will be authorizing the custodian to withdraw advisory fees, any custodial fees, and any transactional fees from your account. The custodian will remit our fees directly to our firm. Fees deducted from your account will be noted on statements that you will receive directly from your custodian of record.<sup>4</sup> We encourage you to verify the accuracy of fee calculations; the custodian does not verify the accuracy of advisory fee assessments.

Alternatively, you may request to directly pay our advisory firm its portfolio management fee in lieu of having the advisory fee withdrawn from your investment account. Our valuation assessment will remain the same as described above, and the client’s direct payment must be received by our firm within 15 days of our invoice. The invoice will include the total fee assessed, covered time period, calculation formula utilized, and reference to the assets under management in which the fee had been based.

### ***Third-Party Investment Managers***

Each third-party investment manager program has a stated fee range that will be described through the use of that manager’s Form ADV Part 2A disclosure documents and prior to the selection of that manager. Third-party investment management services are assessed an annualized asset-based fee that ranges from 0.80% to 1.95% (80 to 195 basis points). The fee is to be paid quarterly either in advance or arrears as determined by the selected third-party investment manager. Our firm will receive a portion of the total fee assessed, ranging from 0.50% to 1.50% (50 to 150 basis points) for our continued consultation, which we will describe in our engagement agreement. Account fees, including debits and credits, will be noted on account statements that you receive from your account custodian on at least a quarterly basis if fees are debited from the account. We encourage you to verify the accuracy of fee calculations; the custodian may not verify the accuracy of third-party manager fees. Note that we are not directly involved in the billing process of third-party management accounts.

Your written authorization will be required in order for the custodian of record to deduct advisory fees from your investment account. By signing the custodian of record’s account documents, you will be authorizing the withdrawal of program fees from your account. The withdrawal of these fees will be accomplished by

---

<sup>3</sup> Accounts maintained at a mutual fund company are billed based on the account’s average daily balance each quarter.

<sup>4</sup> Periodic account value variances between the firm’s invoice and custodian statement (beyond the firm’s control) may occur due to late trade settlement, dividend distribution, etc., requiring adjusted transaction reporting from the custodian of record.

the custodian of record. Our portion of the advisory fee will be remitted directly to our firm via the third-party investment manager. Note that most third-party managers do not accommodate direct payment requests.

### ***Educational Workshops***

Workshops sessions are complimentary; no fee is assessed.

### ***Retirement Plan Services***

Whether plan assets are maintained at a custodian recommended by our firm or via a third-party investment manager engagement, employer-sponsored retirement plans are assessed an asset-based fee of 0.75% (75 basis points) that is paid in arrears on a quarterly basis, although some third-party investment managers may require an advance fee as determined by the third-party investment manager. The fee is calculated at quarter-end by multiplying the quotient by the applicable number of basis points (one basis point equals 1/100 of one percent). The result is then divided by 4 to determine the quarterly fee.

The first billing cycle will begin once the engagement agreement is executed with our firm and plan assets have settled into plan account(s) held by the designated custodian of record. Advisory fees for partial quarters will be prorated based on the remaining days in the initial period.

Written authorization is required in order for the custodian of record or plan administrator to deduct advisory fees from an account. By signing our firm's engagement agreement, the plan sponsor or plan participant will be authorizing our advisory fee deduction. In addition, the custodian's account opening documents will be executed by the plan sponsor or plan participant authorizing the custodian or plan administrator to withdraw advisory fees, any custodial fees, and any transactional fees from an account. The custodian or plan administrator will remit our fees directly to our firm. Deducted fees and charges will be noted on account statements that are received from the custodian of record or plan administrator. We encourage account holders to verify the accuracy of fee calculations; the account custodian does not verify the accuracy of advisory fees. Requests for direct payment of plan services fees are not accommodated.

### ***Additional Client Fees***

Any transactional or service fees (sometimes termed *brokerage fees*), individual retirement account fees, qualified retirement plan fees, account termination fees, or wire transfer fees will be borne by the account holder per the separate fee schedule from their custodian of record and/or retirement plan recordkeeper. Advisory fees paid by our clients to our firm for our services are separate from any of these fees or other similar charges. In addition, our advisory fees are separate from any internal fees or charges a client may pay involving mutual funds, exchange-traded funds (ETFs), exchange-traded notes (ETNs), or other similar investments. Additional information about our fees in relationship to our brokerage and operational practices are noted in Items 10 and 12 of this document.

Per annum interest at the current statutory rate based on the state in which the client resides may be assessed on fee balances due more than 30 days, and we may refer past due accounts to collections or legal counsel for processing. We reserve the right to suspend some or all services once an account is deemed past due.

### ***External Compensation Involving Securities Transactions***

Our firm does not charge or receive a commission or a mark-up on securities transactions, nor will the firm or an associate be paid a commission on the purchase of a securities holding that is recommended to a client. We do not receive “trailer” or SEC Rule 12b-1 fees from an investment company that may be recommended to a client. Fees charged by such issuers are detailed in prospectuses or product descriptions and interested our clients are encouraged to read these documents before investing. Our firm and its associates receive none of these described or similar fees or charges.

When there is the potential for the receipt of a commission and other similar compensation via an insurance product transaction (e.g., purchase of a fixed annuity, life insurance policy, etc.), an associate of our firm that is licensed as an insurance agent has an incentive to make such a recommendation based on the compensation they may receive rather than a client’s needs. Our advisory firm and its associates take their responsibilities seriously and only intend to recommend investments, insurance or advisory services we believe appropriate for each client. Please refer to Items 10 and 11 of this firm brochure, in addition to Item 4 of an associate’s brochure supplement for details.

Our clients retain the right to purchase recommended or similar investments through a provider of their choice. Note that many third-party investment managers do not make themselves directly available to the public.

### ***Termination of Services***

Either party has the right to terminate the engagement agreement at any time by communicating the intent to terminate in writing to the other party. The effective date of the termination shall be the date the termination is received by the other party, unless the termination states a later date, in which case the later date specified by the party which is terminating shall be the effective date. Our firm will not be responsible for investment allocation, advice or transactional services, except limited closing transactions, after the effective date of termination. Upon termination and when appropriate, our firm will inform the custodian of record, plan administrator and/or third-party investment manager that the relationship between the firm and the client has been terminated.

If a client did not receive our Form ADV Part 2 brochure at least 48 hours prior to entering into the firm’s agreement, then that client will have the right to terminate the engagement without fee or penalty within five business days after entering into the agreement. If a client terminates a financial planning service after this five-day period, the client will be assessed fees at the firm’s current hourly rate for any time incurred in the preparation of the client’s analysis or plan. Portfolio management, third-party investment management and retirement plan clients who terminate our agreement will be assessed fees on a per day prorated basis for services incurred from either (i) as a new client, and after the five-day rescission period, the date of the firm’s receipt of the written notice of termination, or (ii) all other accounts, the last billing period up to and including the date of the firm’s physical or constructive receipt of written termination notice. If we are unable to deduct our fees from the client’s account at the custodian of record, then our earned fees will be due upon the client’s receipt of our invoice.

Our firm will return any prepaid, unearned fees within 30 days of the firm’s receipt of termination notice. Our return of payment to a client for our financial planning services will be completed via check from our firm’s US-based financial institution, and we will coordinate remuneration of any asset-based fees to the account holder’s investment account via their custodian of record. The return of advisory fees will never involve a personal check, cash or money order from our firm or from an associate of our firm.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

Our advisory fees will not be based on a share of capital gains or capital appreciation (growth) of any portion of managed funds, also known as performance-based fees. Our fees will not be based on side-by-side management, which refers to a firm simultaneously managing accounts that do pay performance-based fees (such as a hedge fund) and those that do not.

## **Item 7 - Types of Clients**

Innovative Financial Solutions, Inc. provides its services to individuals and high net worth individuals, small businesses and their retirement plans. Our firm does not require minimum income, asset levels or other similar preconditions for its engagements. We will inform our clients in advance about any minimum account requirements involving external investment managers' services. We reserve the right to decline services to any prospective client for any nondiscriminatory reason.

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

### ***Methods of Analysis***

Our firm utilizes fundamental analyses; we evaluate various economic factors including interest rates, the current state of the economy, or the future growth of an industry sector. Our research is often drawn from sources that include financial periodicals, research reports from economists and other industry professionals, as well as regulatory filings (i.e., prospectus, financial filings, etc.).

### ***Investment Strategy***

We recognize that each client's needs and goals are different; subsequently, portfolio strategies and underlying investment vehicles may vary. Portfolios may contain a broad range of mutual funds or ETFs, individual equities and fixed income securities, master limited partnerships and direct participation programs. The following paragraphs note strategies common to our clients' portfolios:

### ***Active Portfolio Management***

An investment manager engaging in an active portfolio management strategy believes it is possible to create a profit from identifying or leveraging mispriced securities, or producing similar returns with less risk, or producing returns greater than a stated benchmark, such as a well-known index. For example, a large cap stock<sup>5</sup> fund manager might attempt to outperform the Standard & Poor's 500 Index by purchasing underpriced stocks or derivative instruments representing these positions. An active management strategy may attempt to preserve capital during times of high risk through the use of cash and cash equivalents, and the percentage of account holdings invested in the market may vary substantially based on what they believe is the prevailing risk in the market. If it is felt that risk in the stock market is low, a portfolio manager

---

<sup>5</sup> Market capitalization ("cap") assists investors in understanding the relative size of a company versus another. It aids in measuring the worth of a company in the open market and the market's perception of its future since it reflects what investors may be willing to pay for the company's stock. Examples include:

- Large-Cap – Established companies with market values of \$10 billion or more; reputations for producing quality goods and services; history of consistent dividend payments and steady growth.
- Mid-Cap – Companies with market values between \$2 billion and \$10 billion; established companies in industries experiencing or expected to experience rapid growth, and increasing market share and/or improving competitiveness.
- Small-Cap – Newer companies with market values of \$300 million to \$2 billion; typically serving niche markets or emerging industries. Aggressive risk category investment; may be impacted by economic downturn, vulnerable to competition and uncertainties of their market.

may increase exposure to equities to attempt to take advantage of growth opportunities. When risk in the stock market is considered high, all or a portion of the portfolio's equity exposure may be moved to more stable short-term fixed income instruments and cash equivalent alternatives in order to preserve capital.

### Core + Satellite Strategy

Core + Satellite investment strategy blends passive and active investing, where passive investments are used as the basis or “core” of a portfolio and actively-managed investments are added as “satellite” positions. The portfolio core holdings are indexed to potentially more efficient asset classes, while outlying selections are generally limited to active holdings in an attempt to outperform a particular category (sector), or a selection of particular positions to increase core diversification, or to improve portfolio performance. For example, the core of a portfolio may be built with index funds or ETFs; satellite holdings would include active investments (e.g., equities) with unique strategies that are believed capable of adding value beyond a stated benchmark over a full market cycle.

### Modern Portfolio Theory

Modern Portfolio Theory is oriented toward reducing risk by diversifying among an extensive range of asset classes such as domestic and international equities, fixed-income securities, and real estate. Portfolios constructed under this theory may be tilted to have a greater exposure toward a specific market capitalization, value stocks,<sup>6</sup> or highly profitable stocks in an effort to capture risk premiums historically associated with those asset classes.

### Passive Portfolio Management

Passive investing does not employ market timing or stock selection methods of investing but rather a long term, buy-and-hold strategy with periodic rebalancing of the account to minimize risk exposure.

### **Risk of Loss**

Our firm believes its strategies and investment recommendations are designed to produce the appropriate potential return for the given level of risk; however, there is no guarantee that a planning goal or investment objective will be achieved. Past performance is not necessarily indicative of future results. Investing in securities involves risk of loss that clients should be prepared to bear. While the following list is not exhaustive, we provide some examples of such risk in the following paragraphs, and we believe it is important that our clients review and consider each prior to investing.

### Active Portfolio Management

A portfolio that employs active management strategies may outperform or underperform various benchmarks or other strategies. In an effort to meet or surpass these benchmarks, active portfolio management may require more frequent trading or “turnover.” This may result in shorter holding periods, higher transactional costs and/or taxable events generally borne by the client, thereby potentially reducing or negating certain benefits of active asset management.

### Company Risk

When investing in securities, such as stocks, there is always a certain level of company or industry-specific risk that is inherent in each company or issuer. There is the risk that the company will perform poorly or

---

<sup>6</sup> Value investing involves buying above-average stocks at below-average prices. Conversely, when a holding is considered over-priced, it becomes a candidate to be sold.

have its value reduced based on factors specific to the company or its industry. This is also referred to as *unsystematic risk* and can be reduced or mitigated through diversification.

#### Core + Satellite Strategies

Strategies involving Core + Satellite investing may have the potential to be affected by “active risk” (or “tracking error risk”), which might be defined as a deviation from a stated benchmark. Since the core portfolio attempts to closely replicate a stated benchmark, the source of the tracking error or deviation may come from a satellite portfolio or position, or from a “sample” or “optimized” index fund or ETF that may not as closely align the stated benchmark.

#### Currency Risk

The risk of loss from fluctuating foreign exchange rates when a portfolio has exposure to foreign currency or in foreign currency traded investments is known as currency risk.

#### Equity (Stock) Risk

Common stocks are susceptible to general stock market fluctuations and to volatile increases or decreases in value as market confidence in and perceptions of their issuers change. If an investor held common stock or common stock equivalents of any given issuer, they may be exposed to greater risk than if they held preferred stocks and debt obligations of the issuer.

Preferred stocks can be affected by interest rate and liquidity risks (described in adjacent paragraphs). Also note that their dividend payment is not guaranteed; some are subject to a call provision, meaning the issuer can redeem its preferred shares on demand, and usually when interest rates have fallen.

#### Failure to Implement

Our clients have the right to accept or reject any or all our recommendations. While an advisory firm cannot guarantee future performance, a plan will not succeed if it is not implemented. Clients who choose not to take the steps recommended in their plan may face an increased risk that their stated goals and objectives will not be achieved.

#### Financial Risk

Excessive borrowing to finance a business operation increases profitability risk 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.

#### Fixed Income Risks

Various forms of fixed income instruments, such as bonds, money market or bond funds may be affected by various forms of risk, including:

- Credit Risk - The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments, as well as funds or ETF share values that hold these issues. Bondholders are creditors of an issuer and have priority to assets before equity holders (e.g., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.

- Interest Rate Risk - The risk that the value of the fixed income holding will decrease because of an increase in interest rates.
- Reinvestment Risk - With declining interest rates, investors may have to reinvest interest income or principal at a lower rate.

### Fundamental Analysis

The challenge involving fundamental analyses is that information obtained may be incorrect; the analysis may not provide an accurate estimate of earnings, which may be the basis for a security's value. If a security's price adjusts rapidly to new information, a fundamental analysis may result in unfavorable performance.

### Inflation Risk

Also called *purchasing power risk*, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

### Liquidity Risk

Liquidity risk is the inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed income are generally liquid (e.g., bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.

### Market Risk

This is also called systematic risk. In cases where markets are under extreme duress, many securities lose their ability to provide diversification benefits.

### Master Limited Partnerships/Direct Participation Programs

Investing in MLPs and DPPs involve risks related to investing in their underlying assets, as well as the risks associated with pooled investment vehicles (certain pooled investments may be less regulated than others). In addition, MLPs that concentrate in a particular industry or a particular geographic region are subject to risks associated with the specific industry or region. A potential benefit derived from a MLP or DPP is also dependent on their being treated as a partnership for federal income tax purposes; if part or all of the MLP/DPP is not, it may have potential adverse tax effects on a portfolio.

### Mutual Fund and ETF Risks

The risk of owning mutual funds and ETFs reflect their underlying securities (e.g., stocks, bonds, derivatives, etc.). These forms of securities typically carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. Certain ETFs and indexed funds have the potential to be affected by "active risk;" a deviation from its stated index (e.g., S&P 500).

While many ETFs and index mutual funds are known for their potential tax-efficiency and higher "qualified dividend income" (QDI) percentages, there are asset classes within these investment vehicles or holding periods within that may not benefit. Shorter holding periods, as well as commodities and currencies (that



may be a holding within an ETF or mutual fund), may be considered “non-qualified” under certain tax code provisions. A holding’s QDI will be considered when tax-efficiency is an important aspect of the client’s portfolio.

Leveraged and/or inverse ETFs attempt to achieve multiples of the performance of an index or benchmark through the opposite (inverse) of the performance of the tracked index or benchmark. This strategy attempts to profit from, or hedge exposures to, downward drifting markets. There is risk involving this strategy and part of the concern is based on the fact that leveraged and inverse exchange traded funds “reset” daily, which means they are designed to achieve their stated objectives on a *daily basis*. It is due to the compounding effect of daily adjustments that ETF performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of an underlying index or benchmark during the same period. This effect is potentially magnified during volatile markets. If effects contrary to the ETF strategy occur, losses may be significant; therefore, leveraged and/or inverse ETFs will be considered for portfolios either properly hedged or for clients able to sustain potentially higher risks. Leveraged and inverse ETFs will not be recommended for portfolios where a “buy-and-hold” philosophy is important.

#### Passive Management

A passive portfolio has the risk of generating lower-than-expected returns due to its broad diversification when compared to a portfolio more narrowly focused.

#### Political Risk

The risk of financial and market loss because of political decisions or disruptions in a particular country or region, and may also be known as “geopolitical risk.”

#### Research Data

When research and analyses are based on commercially available software, rating services, general market and financial information, or due diligence reviews, a firm is relying on the accuracy and validity of the information or capabilities provided by selected vendors, rating services, market data, and the issuers themselves. While our firm makes every effort to determine the accuracy of the information received, we cannot predict the outcome of events or actions taken or not taken, or the validity of all information researched or provided which may or may not affect the advice on or investment management of an account.

#### Sequence of Return Risk

The risk of receiving lower or negative returns early in a period when withdrawals are made from an individual’s underlying investments.

#### Third-Party Investment Managers

We will review with the client the Form ADV Part 2A of any recommended third-party investment manager to ensure the client is familiar with the investment strategy and types of investment vehicles they employ so that they align with the client’s investment objectives, as well as discuss the risks these may impose on the account.



### **Item 9 - Disciplinary Information**

Neither the firm nor its management has been involved in a material criminal or civil action in a domestic, foreign or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding.

### **Item 10 - Other Financial Industry Activities and Affiliations**

Firm policies require associated person to conduct business activities in a manner that avoids conflicts of interest between the firm and its clients, or that may be contrary to law. Our firm will provide disclosure to clients prior to and throughout the term of an engagement regarding any conflicts of interest involving its business relationships that might reasonably compromise its impartiality or independence.

Our firm and its management are not registered nor have an application pending to register as a Financial Industry Regulatory Authority (FINRA) or National Futures Association (NFA) member firm or associated person of such a firm. We are not required to be registered with such entities, nor do they supervise our firm, its activities or our associates. Neither the firm nor its management is or has a material relationship with any of the following types of entities:

- an accounting firm or accountant
- another financial planning firm
- bank, credit union or thrift institution, or their separately identifiable department or division
- lawyer or law firm
- pension consultant (other than our own services)
- real estate broker, dealer or advisor
- sponsor or syndicator of limited partnerships
- trust company
- an issuer of a security that includes an investment company or other pooled investment vehicle, such as a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” or offshore fund (except as identified in Item 12 of this brochure)

As referenced in Item 4 of this brochure, we provide recommendation to pre-screened, third-party investment managers (who are also required to be registered as investment advisors) to service part of or the entire client portfolio, and in which both firms inevitably receive a portion of the advisory fee paid by the client as described in Item 5. The potential exists for clients’ fees assessed via a third-party investment manager engagement to be higher than had a client obtained those services directly from that investment manager. As stated in Item 5, each client has the right to purchase recommended or similar investment through a service provider of their choice, and that third-party external investment managers may not be available to self-directed investors.

Mr. Telidis is a licensed insurance agent, appointed with various unaffiliated insurance carriers, and may earn commissions and renewal income if a client purchases an insurance or fixed annuity contract via this service as an insurance agent. Further information with regard to this other activity may be in his accompanying Form ADV Part 2B brochure supplement. Whether he is serving a client in one or more capacities, he will disclose in advance how he is compensated and if there is a conflict of interest involving any advice or service provided.

Referrals are provided to attorneys, accountants, and real estate agents as a courtesy to our clients, but there is no earned compensation nor is there a quid pro quo arrangement.

At no time will there be *tying* between business practices and/or services; a condition where a client or prospective client would be required to accept one product or service which is conditional upon the selection of a second, distinctive tied product or service.

### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Innovative Financial Solutions, Inc. holds itself to a *fiduciary standard*, which means the firm and its associates will act in good faith, performing in a manner believed to be in the best interest of its clients. Our firm believes that business methodologies, ethics rules, and adopted policies are designed to eliminate or at least minimize material conflicts of interest and to appropriately manage any material conflicts of interest that may remain. We will disclose to our clients any material conflict of interest relating to the firm, its representatives, or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

#### ***Code of Ethics***

Innovative Financial Solutions, Inc. has adopted a Code of Ethics that establishes policies for ethical conduct for our personnel. Our firm accepts the obligation to comply with applicable laws and regulations as well as act in an ethical and professionally responsible manner. Firm policies include prohibitions against insider trading, circulation of industry rumors, and certain political contributions, among others. We periodically review and amend our Code of Ethics to ensure that it remains current, and we require firm personnel to annually attest to their understanding of and adherence to the firm's Code of Ethics. A copy of our Code of Ethics is made available to any client or prospective client upon request.

#### ***CFP® Principles***

Associates of our firm that are CERTIFIED FINANCIAL PLANNER™ Professionals also adhere to the Certified Financial Planner Board of Standards, Inc.'s Code of Ethics & Professional Responsibility which you may find at [www.cfp.net](http://www.cfp.net).

#### ***Privacy Policy Statement***

Innovative Financial Solutions, Inc. respects the privacy of all clients and prospective clients (collectively termed "customers" per privacy regulations), both past and present. It is recognized that our clients have entrusted our firm with non-public personal information and it is important that both access persons and customers are aware of firm policy concerning what may be done with that information. The firm collects personal information about customers from the following sources:

- Information customers provide to complete their financial plan or investment recommendation;
- Information customers provide in engagement agreements and other documents completed in connection with the opening and maintenance of an account;
- Information customers provide verbally; and
- Information received from service providers, such as custodians, about customer transactions.

The firm does not disclose non-public personal information about our customers to anyone, except in the following circumstances:

- When required to provide services our customers have requested;

- When our customers have specifically authorized us to do so;
- When required during the course of a firm assessment (e.g., independent audit); or
- When permitted or required by law (e.g., periodic regulatory examination).

To ensure security and confidentiality, the firm maintains physical, electronic, and procedural safeguards to protect the privacy of customer information. Within the firm, access to customer information is restricted to personnel that need to know that information. All access persons and service providers understand that everything handled in firm offices are confidential and they are instructed not to discuss customer information with someone else that may request information about an account unless they are specifically authorized in writing by the customer to do so. This includes providing information about a family member's account.

Our firm will provide clients with its privacy policy on an annual basis and at any time, in advance, if firm privacy policies are expected to change.

### ***Firm Recommendations and Conflicts of Interest***

Our associates are prohibited from borrowing from or lending to a client unless the client is an approved financial lending institution.

Neither our firm nor its associates are authorized to recommend to a client, or effect a transaction for a client, involving any security in which our firm or a "related person" (associates, their immediate family members, etc.) has a material financial interest, such as in the capacity as an underwriter, advisor to the issuer, etc.

Our firm and its related persons may buy or sell securities that are the same as, similar to, or different from, those we recommend to clients for their accounts. A recommendation made to one client may be different in nature or in timing from a recommendation made to a different client. Clients often have different objectives and risk tolerances. At no time will our firm or any related party receive preferential treatment over our clients. We mitigate this conflict by ensuring that we have policies and procedures in place to ensure that the firm or a related person will not receive preferential treatment over a client. In order to reduce or eliminate certain conflicts of interest involving personal trading (e.g., trading ahead of client recommendations or trades, etc.), firm policy requires that we restrict or prohibit certain related parties' transactions. Any exceptions must be approved in writing by our Chief Compliance Officer, and personal trading accounts are reviewed on a quarterly or more frequent basis. Please refer to Item 6 of the accompanying Form ADV Part 2B for further details.

Our firm is able to provide a range of advisory services to you and all of our clients. Due to our firm's ability to offer two or more services and receive a fee for each engagement, a potential conflict of interest may exist due to the extended services provided. We therefore note that you are under no obligation to act on our recommendations and, if you elect to do so, you are under no obligation to complete all of them through our firm or our recommended service providers.

### **Item 12 - Brokerage Practices**

#### ***Factors Used to Select Broker/Dealers for Client Transactions***

Client accounts must be maintained by a qualified custodian (generally a broker/dealer, national bank or trust company) that is frequently reviewed for its capabilities to serve in that capacity by their respective industry regulatory authority. Our firm is not a custodian, there is not an affiliate that is a custodian, nor does a custodian

supervise our firm, its activities or our associates. We do not receive referrals from a custodian, nor are client referrals a factor in our recommendation of a custodian.

If a client engages us to provide periodic investment advice via a financial planning services component, they have the right to keep their assets with their present custodian/service provider. If the client prefers a new custodian/service provider, a recommendation may be made by our firm that is based on client need, costs, ease of use, and following our review of the recommended provider.

We have entered into agreements with TD Ameritrade Institutional, a division of TD Ameritrade, Inc., AssetMark Trust Company, Altruist LLC & Apex Clearing to serve as custodian for our clients. All five custodians are a FINRA and SIPC members,<sup>7</sup> and SEC-registered broker/dealers. While we recommend that you use a particular custodian, you must decide whether to do so, and you will open the account by entering into an account agreement directly with them. We do not technically open the account for a client at a custodian, but we assist our clients in doing so. If a client does not wish to place their assets with one of these custodians, we may be able to serve as investment advisor with another custodian of the client's choice if the other custodian's policies allow us to do so.

Our custodians offer independent investment advisors various services which include custody of client assets, trade execution, clearance and settlement, etc. Our firm receives certain benefits from a custodian through participation in their independent advisor support program (please refer to Item 14 for further details), however, there is no direct link between our firm's participation in their program and the investment advice we may provide to our clients. Our firm conducts periodic assessments of any recommended service provider, which generally involves a review of the range and quality of services, reasonableness of fees, among other items, in comparison to industry peers.

Plan sponsors will determine which custodian is appropriate for their plan participants. Our firm is available to assist the sponsor in identifying a potential new custodian of record if we are so engaged. The selection criteria will be based on plan documents developed in coordination with the sponsor or their ERISA § 3(38) plan advisor.

Accounts served by a third-party investment manager are to be maintained at one or more custodians that have been selected by the respective third-party investment manager and they will be disclosed in the third-party investment manager's disclosure documents and account opening forms.

### **Best Execution**

"Best execution" means the most favorable terms for a transaction based on all relevant factors, including those listed in the earlier paragraphs and in Item 14. We recognize our obligation in seeking best execution for our clients; however, it is our belief that the determinative factor is not always the lowest possible cost but whether the selected custodian's transactions represent the best "qualitative execution" while taking into consideration the full range of services provided. Our firm will seek services involving competitive rates, but it may not necessarily correlate into the lowest possible rate for each transaction. We have determined having our portfolio management clients' accounts trades completed through our recommended custodian is consistent with our obligation to seek best execution of client trades. A review is regularly conducted with regard to recommending a custodian to our clients in light of our duty to seek best execution.

---

<sup>7</sup> Our advisory firm is not, nor required to be, a Securities Investor Protection Corporation (SIPC) member. Clients may learn more about the SIPC and how it serves member firms and the investing public by going to their website at <http://www.sipc.org>.

Our firm may, in its discretion and following custodian authorization, accept the client's transfer of preexisting retail mutual funds into their account. A transfer-in-kind of retail share class mutual funds may potentially benefit the client since they are able to invest in their portfolio more quickly, mitigate tax and/or short-term trading liabilities, and/or avoid contingent deferred sales charges (CDSC). Our firm regularly reviews accounts that have transferred different share classes of mutual funds and will convert share classes to a lower expense share class when we believe doing so would be beneficial to the client. In addition, if account assets remain in a retail share class and within a CDSC period, we may exclude those assets from our advisory fee until they have been converted to what we believe is a more appropriate share class.

While our firm has access to a broad range of securities through our custodian, it is a finite number. In addition, not all investment managers, share classes, etc., are represented at each custodian. Due to these normal and customary limitations, not all portfolio holdings will be readily available, least expensive, best performing, etc. It is an unrealistic expectation for an investor to maintain a premise otherwise.

### ***Directed Brokerage***

Our internal policy and operational relationship with our custodian requires client accounts custodied with them to have trades executed per their order routing requirements. We do not direct which executing broker should be selected for client account trades; whether that is an affiliate of our preferred custodian or another executing broker of our custodian's choice. As a result, the client may pay higher commissions or other transaction costs, experience greater spreads, or receive less favorable net prices on transactions than might otherwise be the case. In addition, since we routinely recommend a custodian to our advisory clients, and that custodian may choose to use the execution services of its broker affiliate for some or all of our client account transactions, there is an inherent conflict of interest involving our recommendation since our advisory firm receives various products or services described in Item 14 from that custodian. Note that we are not compensated for trade routing/order flow, nor are we paid commissions on such trades. We do not receive interest on an account's cash balance.

Client accounts maintained at our custodian are unable to direct brokerage. As a result, they may pay higher commissions or other transaction costs, potentially experience greater spreads, or receive less favorable net prices on transactions for their account than would otherwise be the case if they had the opportunity to direct brokerage.

For accounts maintained at a custodian of the client's choice (e.g., held-away accounts), the client may choose to request that a particular broker is used to execute some or all account transactions. Under these circumstances, the client will be responsible for negotiating, in advance of each trade, the terms and/or arrangements involving their account with that broker, and whether the selected broker is affiliated with their custodian of record or not. We will not be obligated to seek better execution services or prices from these other brokers, and we will be unable to aggregate transactions for execution via our custodian with other orders for accounts managed by our firm. As a result, the client may pay higher commissions or other transaction costs, potentially experience greater spreads, or receive less favorable net prices on transactions for their account than would otherwise be the case.

### ***Aggregating Securities Transactions***

Trade aggregation involves the purchase or sale of the same security for several clients/accounts at approximately the same time. This may also be termed "blocked" or "batched" orders. Aggregated orders are effected in an attempt to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among multiple client accounts should there be differences in prices, brokerage commissions or other transactional costs that might otherwise be unobtainable through separately placed orders. Our firm

may, but is not obligated, to aggregate orders, and our firm does not receive additional compensation or remuneration as a result of aggregated transactions.

Transaction charges and/or prices may vary due to account size and/or method of receipt. To the extent that the firm determines to aggregate client orders for the purchase or sale of securities, including securities in which a related person may invest, the firm will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.*, or similar guidance if the jurisdiction in which the client resides provides such direction.

Please note that when trade aggregation is not allowed or infeasible and necessitates individual transactions (e.g., withdrawal or liquidation requests, odd-lot trades, non-discretionary accounts, etc.), an account may potentially be assessed higher costs or less favorable prices than those where aggregation has occurred.

We review firm trading processes on a periodic basis to ensure they remain within stated policies and regulation. Our clients will be informed, in advance, should trading practices change at any point in the future.

For accounts at a Third Party Asset Manager, these types of accounts our firm serves cannot be aggregated; therefore, we are unable to batch or block trades on behalf of clients' accounts. Since transactions are completed independently, you may potentially pay more for your transaction or experience wider price spreads than those accounts where trades have been aggregated.

### ***Trading Errors***

The firm corrects its trade errors through an account maintained by our custodian, and the firm may be responsible for certain trading error losses that occur within a client account. Clients should be aware that trading error gains in accounts maintained at TD Ameritrade Institutional are swept to an account designated by our custodian which is then donated to a 501(c)(3) charity of TD Ameritrade Institutional's choice. TD Ameritrade Institutional will be obligated to disclose in their own literature to account holders whether such recipients' receipt of such donations presents a material conflict of interest.

## **Item 13 - Review of Accounts**

### ***Scheduled Reviews***

We encourage financial check-ups on at least an annual basis for any client who receives our financial planning services. Scheduled reviews will be conducted by Mr. Telidis and typically involves an analysis and possible revision of your previous financial plan or investment allocation.

Internally managed portfolios are reviewed on a quarterly basis by Mr. Telidis. They also conduct client-level reviews, and we recommend that they occur on at least an annual basis.

For those accounts served by a recommended third-party investment manager, Mr. Telidis will review reports provided to the client by the third-party investment manager. Our firm will contact the client at least annually to review the client's financial situation and objectives. We will communicate information to the selected third-party investment manager as warranted and will assist the client in understanding and evaluating the services provided by that investment manager. In certain instances, the client may be able to communicate directly with their investment manager which we will need to coordinate in advance.

Periodic plan sponsor reviews are encouraged, and we believe they should occur at least on an annual basis if practical. Reviews will be conducted by Mr. Telidis, and typically involves an analysis and possible revision

of previous plan recommendations. We will conduct annual plan participant group review sessions upon plan sponsor request.

A copy of revised written plans or asset allocation reports in printed or digital format will be provided to the client upon request.

### ***Unscheduled Reviews***

You should contact our firm for additional reviews when you anticipate or have experienced changes in your financial situation (i.e., changes in employment, an inheritance, the birth of a new child, etc.), or if you prefer to change requirements involving your investment account. Non-periodic reviews are conducted by Mr. Telidis, and a copy of revised plans or asset allocation reports in printed or digital format will be provided to the client upon request.

Additional portfolio reviews by the client's investment manager and Mr. Telidis may be triggered by news or research related to a specific holding, a change in our view of the investment merits of a holding, or news related to the macroeconomic climate affecting a sector or holding within that sector. A portfolio may be reviewed for an additional holding or when an increase in a current position is under consideration. Account cash levels above or below what we deem appropriate for the investment environment, given the client's stated tolerance for risk and investment objectives, may also trigger a review.

Plan sponsors should contact our firm for additional reviews when there are material changes to the plan requirements or financial situation. The review is conducted by your investment advisor representative and typically involves an analysis and possible revision of previous plan recommendations. We do not conduct unscheduled participant-level reviews.

A copy of revised written plans or asset allocation reports in printed or digital format will be provided upon request.

### ***Client Reports***

Whether you have opened and maintained an investment account on your own or with our assistance, you will receive account statements sent directly from mutual fund companies, transfer agents, custodians or brokerage companies where your investments are held. We urge account holders to review these account statements for accuracy and clarity, and to ask questions when something is not clear.

Innovative Financial Solutions, Inc. does not create or distribute its own performance reports; nor do we back-test or certify reports from an external party. Account holders should carefully review and compare account statements provided by their custodian of record with any report they have received from any source if it contains investment performance information.

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

Please refer to Items 5, 10 and 12 for additional information with respect to our offerings/services and the potential conflicts of interest they present. We do not engage in solicitation activities. If we receive or offer an introduction to a client, we do not pay or earn a referral fee, nor are there established *quid pro quo* arrangements. Each client has the right to accept or deny such referral or subsequent services.

An associate of the firm holds individual membership and/or may serve on boards or committees of professional industry associations. Generally, participation in any of these entities require membership fees to be paid, adherence to ethical guidelines, as well as in meeting experiential and educational requirements.



A benefit these entities may provide to the investing public is the availability of online search tools that allow interested parties (prospective clients) to search for individual participants within a selected state or region. These passive websites may provide means for interested persons to contact a participant via electronic mail, telephone number, or other contact information, in order to interview the participating member. The public may also choose to telephone association staff to inquire about an individual within their area, and would receive the same or similar information. A portion of these participant's membership fees may be used so that their name will be listed in some or all of these entities' websites (or other listings). Prospective clients locating our advisory firm or an associate via these methods are not actively marketed by the noted associations. Clients who find our firm in this way do not pay more for their services than clients referred in any other fashion. The firm does not pay these entities for prospective client referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement.

We may receive an economic benefit from our primary custodian(s) in the form of the support products and services they make available to us and other independent investment advisors. As disclosed under Item 12, our firm participates in our custodians' investment advisor support programs and we recommend those custodians to our clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give our clients, although our firm receives economic benefits through its participation in the program that are typically not available to "retail investors." These benefits include the following products and services (provided either without cost or at a discount):

- receipt of duplicate client statements and confirmations
- research related products and tools
- consulting services
- our access to their trading desk
- access to block trading (which provides our ability to aggregate securities transactions for execution and then allocate the appropriate shares to our client's accounts)
- the ability to have advisory fees deducted directly from our client's accounts per our written agreement
- access to an electronic communications network for client order entry and account information
- access to mutual funds with no transaction fees, and to certain institutional money managers
- discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors

Some of the noted products and services made available by a custodian benefit our advisory firm but may not directly benefit each of our clients' accounts. While our firm does not think these services are considered "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934, certain jurisdictions where we serve client accounts believe they fall under this definition. The availability of these services from a custodian benefits our firm because we do not have to produce or purchase them as long as our clients maintain assets in accounts at that custodian. There is a conflict of interest since our firm has an incentive to select or recommend a custodian based on our firm's interest in receiving these benefits rather than your interest in receiving favorable trade execution. It is important to mention that the benefit received by our firm through participation in any custodian's program does not depend on the amount of brokerage transactions directed to that custodian, and our selection of a custodian is primarily supported by the scope, quality, and cost of services provided as a whole -- not just those services that benefit only our advisory firm. As part of our fiduciary duty, our firm endeavors to place the interests of our clients first, without consideration to our own financial interest or the interest of a related person. Our clients should be



aware that the receipt of any economic benefit by our firm or its associates in and of itself creates a potential conflict of interest and may indirectly influence our choice of custodian for its custody and brokerage services. However, we strive to overcome any implicate bias these benefits might create, and we will avoid recommending services or offer investment advice that is not in your best interest.

#### **Item 15 - Custody**

Accounts will be maintained by an unaffiliated, qualified custodian. Assets are not maintained by our firm or any associate of our firm. In keeping with this policy involving our clients' funds or securities, our firm:

- Restricts the firm or an associate from serving as trustee or having general power of attorney over a client account;
- Prohibits any associate from having authority to directly withdraw securities or cash assets from a client account. Although we may be deemed to have custody since we may request the withdrawal of advisory fees from an account, we will only do so through the engagement of a qualified custodian maintaining your account assets, via your prior written approval (see Item 5 for details);
- Does not accept or forward client securities (e.g., stock certificates) erroneously delivered to our firm; and
- Will not collect advance fees of \$500 or more for services that are to be performed six months or more into the future.

The custodian of record will provide account holders with their investment account transaction confirmations and account statements, which will include debits and credits as well as our firm's advisory fee for that period. Statements are provided on at least a quarterly basis or as transactions occur within their account. Our firm will not create an account statement for a client or serve as the sole recipient of a client's account statement.

Account holders are reminded that if they receive a report from any source that includes investment performance information, they are urged to review and compare their statements that have been received from the custodian of record to determine that report's accuracy.

#### **Item 16 - Investment Discretion**

We typically serve portfolio management accounts on a nondiscretionary basis. This type of account authority requires the client's ongoing prior approval involving the investment and reinvestment of account assets, and portfolio rebalancing. The client will be required to execute our firm's client services agreement that describes our limited account authority, as well as the custodian of record's account opening document that includes their limited power of attorney form or clause. Considering trading pre-approval requirements, the client must make themselves available and keep our firm updated on their contact information so that instructions can be efficiently effected on their behalf. In addition, nondiscretionary accounts are generally unable to be aggregated (see Item 12), and may therefore be assessed higher trading fees or receive less favorable prices than those accounts where trade aggregation has occurred.

We may serve an account on a discretionary basis. Via limited power of attorney, clients grant our firm the authority to implement investment decisions, such as the purchase or sale of a security on behalf of an account, without requiring the client's prior authorization for each transaction in order to meet stated investment objectives. This authority will be provided by the client through the execution of both our engagement agreement and the custodian's account opening documents. Note that the custodian will

specifically limit our firm's authority within an account to the placement of trade orders and our request for the deduction of our advisory fees.

We will account for any reasonable restrictions involving the management of the client's account (i.e., no sin stocks, avoiding international holdings, etc.). It remains the client's responsibility to notify us if there is any change in their situation and/or investment objective so that we may reevaluate previous investment recommendations or portfolio holdings. Our clients retain the right to amend our account authority, in writing.

Third-party investment managers generally provide their services on a discretionary basis. Via a limited power of attorney, the third-party investment manager is granted the authority to implement investment decisions, such as the purchase or sale of a security on behalf of an account, without requiring the client's prior authorization for each transaction in order to meet stated investment objectives. This authority will be provided by the client through the execution of third-party management agreement and its custodian's account opening documents. If you require your account be managed on a nondiscretionary basis, you should be aware that most third-party investment managers retain the right to either refuse or terminate an account, or continue to manage the account under a higher asset-based fee due to increased operational costs. We will inform you in advance of the recommended investment manager's requirements involving account trading authority. Note that our firm does not have discretionary authority over a client account under this type of engagement.

Innovative Financial Solutions, Inc. does not serve as an ERISA retirement plan investment manager. We do not have trading authority within plan participants' self-directed accounts.

#### **Item 17 - Voting Client Securities**

Account holders may periodically receive proxies or other similar solicitations sent directly from their custodian or transfer agent. If we receive a duplicate copy, we do not forward these or any correspondence relating to the voting of your securities, class action litigation, or other corporate actions.

Our firm does not vote proxies on behalf of an account holder, including accounts served by our firm on a discretionary basis. We do not offer guidance on how to vote proxies, nor will we offer guidance involving any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets. Associates of Innovative Financial Solutions, Inc. will answer limited questions via a scheduled meeting with respect to what a proxy voting request or other corporate matter may be and how to reach the issuer or their legal representative.

If an account is supervised by a third-party investment manager, the client should review the third-party investment manager's Form ADV Part 2 to determine their proxy voting policies. Otherwise, each account holder will maintain responsibility for directing the manner in which proxies solicited by issuers of securities that are beneficially owned by you shall be voted, as well as making all other elections relative to mergers, acquisitions, tender offers or other legal matters or events pertaining to your holdings. Clients should consider contacting the issuer or their legal counsel involving specific questions they may have with respect to a particular proxy solicitation or corporate action.

### **Item 18 - Financial Information**

Innovative Financial Solutions, Inc. will not take physical custody of client assets, nor do we have the type of account authority to have such control.

Engagements with our firm do not require that we collect fees from you of \$500 or more for our advisory services that we have agreed to perform six months or more into the future.

Neither our firm nor its management serve as general partner for a partnership or trustee for a trust in which the firm's advisory clients are either partners of the partnership or beneficiaries of the trust.

The firm and its management do not have a financial condition likely to impair its ability to meet commitments to clients, nor has the firm and its management been the subject of a bankruptcy petition.

Due to the nature of our firm's advisory services and operational practices, an audited balance sheet is not required nor included in this brochure.

### **Item 19 - Requirements for State-Registered Advisers**

Since members of our firm's management may serve a client in some capacity, we require by policy that our clients and prospective clients receive a copy of Telidis' Form ADV Part 2B brochure supplements. However, as a state-registered investment advisor, we are required to repeat certain responses to this Item 19 as delineated in the following paragraphs.

As noted in Item 4 of this Form ADV Part 2A, Alexander Telidis, CFP® is the firm's President and serves as Chief Compliance Officer. Specifics about his education and business background may be found in his Form ADV Part 2B brochure supplement.

For information involving other business activities of the firm and its management, please refer to Item 10 of this Form ADV Part 2A and Item 4 of Mr. Telidis' Form ADV Part 2B brochure supplement.

As noted in Item 6 of this Form ADV Part 2A, neither the firm nor its management share in the capital gains or capital appreciation (growth) of any portion of managed funds, also known as performance-based fees, nor do are their fees will be based on side-by-side management.

There have been neither awards nor sanctions or other matter where Innovative Financial Solutions, Inc. or a member of its management has been found liable in an arbitration, self-regulatory or administrative proceeding. Item 3 of this Form ADV Part 2A, in addition to Items 3 and 7 of Mr. Telidis' Form ADV Part 2B brochure supplement apply.

Neither a member of firm management nor Innovative Financial Solutions, Inc. has a material relationship with the issuer of a security. Item 10 of this Form ADV Part 2A, as well as Item 4 of Telidis' Form ADV Part 2B brochure supplement apply.