

# Drake & Associates, LLC

## Firm Brochure

*This brochure provides information about the qualifications and business practices of Drake & Associates, LLC. If you have any questions about the contents of this brochure, please contact us at (202) 753-6940 or by email at: [compliance@drakeandassociates.net](mailto:compliance@drakeandassociates.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Drake & Associates, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Drake & Associates, LLC's CRD number is: 154854*

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*Registration does not imply a certain level of skill or training.*

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## Item 2: Material Changes

There are the following material changes in this brochure from the last annual updating amendment of Drake & Associates, LLC on 03/15/2024. Material changes relate to Drake & Associates, LLC, practices or conflicts of interests only.

- Item 10: The Firm clarified it uses AI for phone calls, in person meetings and virtual meetings.
- Item 5: The Firm added a description of the service fee charged for clients who use Flourish Cash

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Drake & Associates, LLC is a Limited Liability Company organized in the state of Wisconsin.

This firm has been in business since October 1, 2010, and the principal owner is Anthony Samuel Drake.

### B. Types of Advisory Services

Drake & Associates, LLC (hereinafter "D&A") offers the following services to advisory clients:

#### *Investment Supervisory Services*

D&A offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. D&A takes each client through a risk tolerance, and a fact finder and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

D&A will use portfolios from LSA Portfolio Analytics. LSA designs the portfolios and will give D&A buying signals. All portfolios will be held at Charles Schwab & Co. ("Schwab"). D&A evaluates the current investments of each client with respect to their risk tolerance levels and time horizon and then determines which portfolio is appropriate for the client. Risk tolerance levels are documented in the Risk Tolerance Questionnaire, which is given to each client.

#### *Pension Consulting Services*

D&A offers consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans). Pension consulting may include, but is not limited to:

- identifying investment objectives and restrictions
- providing guidance on various assets classes and investment options
- recommending money managers to manage plan assets in ways designed to achieve objectives
- monitoring performance of money managers and investment options and

- making recommendations for changes
- recommending other service providers, such as custodians, administrators and broker-dealers
- creating a written pension consulting plan

### ***Services Limited to Specific Types of Investments***

D&A generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, hedge funds, REITs, insurance products including annuities, private placements, and government securities. D&A may use other securities as well to help diversify a portfolio when applicable.

### ***Financial Planning***

D&A starts with an extensive review of a client's financial situation which includes assets and liabilities as well as estate, tax, and insurance needs. The Firm then employs a risk tolerance and risk capacity-focused simulation to get a detailed cash flow analysis and proposed asset allocation. Financial planning services are typically bundled alongside our discretionary investment management services, but they can also be offered independently. Financial plans and financial planning include, but are not limited to:

- investment planning;
- life insurance and annuities;
- tax concerns;
- retirement planning;
- college planning; and
- debt/credit planning.

D&A may recommend clients engage the firm for additional related services as part of the financial plan, or we may recommend other professionals to implement recommendations made by D&A. Such additional services by D&A or another professional will be provided for additional compensation, commensurate with the nature, extent, complexity, and other characteristics of such services. Clients are advised that a conflict of interest, or the perception of one, may exist because the firm may have additional incentive to recommend such additional services based on the compensation to be received, rather than solely based on the client's needs, and in some cases, based on the prospect of cross-referrals of advisory clients from the other professional or his or her firm.

Clients are under no obligation to act upon any recommendations made by D&A under a financial planning engagement or to engage the services of a third-party professional. Clients retain the absolute right to decide whether or not to act on such recommendations, and if they choose to act on such recommendations, whether to engage the Firm or such professional for such services or to engage another investment adviser or professional of their choosing, which may charge less (or more) for such services. Should a client choose to implement the recommendations contained in the plan, D&A suggests the client work

closely with his/her attorney, accountant and/or insurance agent.

### ***Flourish Cash***

Flourish Cash is an online platform that provides clients with competitive APY and elevated FDIC coverage for their deposits placed at program banks. Flourish Cash is offered by Flourish Financial LLC, a registered broker-dealer and FINRA member. Drake & Associates is not affiliated with Flourish or any of the program's banks. Drake & Associates Advisors are not acting as an investment advisory representative or in a discretionary manner when inviting Clients to use Flourish and only do so with your consent.

## **C. Client Tailored Services and Client Imposed Restrictions**

Implementation of financial plan recommendations is entirely at the client's discretion. Financial planning recommendations are of a generic nature and are not limited to any specific product or service offered by a broker dealer or insurance company. No Legal, Accounting or Tax Advice. D&A will act solely in its capacity as a registered investment advisor and does not provide any legal, accounting or tax advice. Client should seek the counsel of a qualified accountant and/or attorney when necessary. D&A may assist clients with tax harvesting, and we will work with a client's tax specialist to answer any questions related to the client's portfolio account.

D&A offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client fact finder and risk tolerance, which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent D&A from properly servicing the client account, or if the restrictions would require D&A to deviate from its standard suite of services, D&A reserves the right to end the relationship.

## **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. D&A DOES NOT participate in any wrap fee programs.

## **E. Amounts Under Management**

D&A has the following assets under management: \$418,775,831.03 in discretionary assets under management.



## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

| Total Assets Under Management | Annual Fee |
|-------------------------------|------------|
| \$0 - \$499,999               | 1.50%      |
| \$500,000 - \$999,999         | 1.25%      |
| \$1,000,000 - \$2,999,999     | 1.00%      |
| \$3,000,000 - \$4,999,999     | 0.80%      |
| \$5,000,000 - and above       | 0.65%      |

These fees are negotiable depending upon the needs of the client and complexity of the situation. The final fee schedule will be attached as Exhibit II of the Investment Advisory Contract. Fees are paid monthly in advance, and clients may terminate their contracts with five days' written notice. Refunds are given on a prorated basis, based on the number of days remaining in a month at the point of termination. Fees that are collected in advance will be refunded based on the prorated amount of work completed up to the day of termination within the month terminated. The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the month up to and including the day of termination. (\*The daily rate is calculated by dividing the monthly AUM fee by the number of days in the termination month. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

D&A may specifically direct clients to Plan Confidence utilizing Pontera's software (formerly FeeX). The annual fee schedule is as follows:

| Total Assets              | Total Fee |
|---------------------------|-----------|
| \$0 - \$499,999           | 1.50%     |
| \$500,000 - \$999,999     | 1.25%     |
| \$1,000,000 - \$2,999,999 | 1.00%     |
| \$3,000,000 - \$4,999,999 | 0.80%     |
| \$5,000,000 and above     | 0.65%     |

*\*If a client is already signed up with PCC will be grandfathered in at the current rate of .50%.*

### ***Pension Consulting Services Fees***

The rate for pension consulting services is percentage of the plan assets for which D&A is providing such consulting services. These fees are negotiable.

### ***Financial Planning Fees***

#### **Hourly Fees**

The hourly fee for these services is \$500 per hour. The fees are negotiable and the final fee schedule will be attached as an Exhibit of the Financial Planning Agreement.

### ***Flourish Cash Fees***

Drake & Associates receives an admin/service annual fee of 0.10% of the value of the Client's Flourish Cash account if a Client participates in the cash management program from Flourish. This fee is deducted from the Client's overall APY. This fee is not negotiable. This account is separate from Drake's portfolio management fee.

## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid monthly in advance. D&A's annual Advisory Fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses that are incurred by the client, as discussed below. D&A does not, however, receive any portion of these commissions, transaction fees, and costs. For investment and wealth management services D&A provides with respect to certain client holdings (e.g., held-away assets, 529 plans, etc.), we may negotiate a fee rate that differs from our standard fee schedule.

### ***Payment of Selection of Other Advisers Fees***

Fees are paid monthly in advance.

Fees for selection of Plan Confidence as third-party adviser are withdrawn by Plan Confidence directly from client credit card. D&A then receives its portion of the fees from Plan Confidence; D&A may directly deduct fees from clients non-qualified account with clients permission.

### ***Payment of Pension Consulting Services Fees***

Fees are paid via cash, check, or wire. Fees are paid monthly in arrears.

### **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by D&A. Please see Item 12 of this brochure regarding broker/custodian.

### **D. Prepayment of Fees**

D&A collects fees in advance. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be deposited back into the client's account within fourteen days.

The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the month up to and including the day of termination. (\*The daily rate is calculated by dividing the monthly AUM fee by the number of days in the termination month).

### **E. Outside Compensation For the Sale of Securities to Clients**

Several supervised persons of Drake & Associates, LLC are licensed to accept compensation for the sale of insurance products to Drake & Associates, LLC clients. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of insurance products for which the supervised persons receives compensation, Drake & Associates, LLC will document the conflict of interest in the client file and inform the client of the conflict of interest. Clients always have the right to decide whether to purchase Drake & Associates, LLC-recommended products and, if purchasing, have the right to purchase those products through other brokers or agents that are not affiliated with Drake & Associates, LLC.

Advisory fees that are charged to clients are not reduced to offset the commissions or markups on insurance products recommended to clients. Please see Item 10 for further information regarding the sale of insurance products.

### **F. Recommending Rollovers and Transfers to Drake & Associates**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents

a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. Therefore, we operate under a special rule which requires the firm to act in a client's best interest and not put our interests ahead of the client. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations;
- Never put our financial interests ahead of a client when making recommendations;
- Avoid misleading statements about conflicts of interest, fees and investments;
- Follow policies and procedures designed to ensure advice given is in the client's best interest;
- Charge no more than is reasonable for services; and
- Provide basic information about conflicts of interest

You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm. Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

- Leaving the funds in your employer's (former employer's) plan;
- moving the funds to a new employer's retirement plan;
- cashing out and taking a taxable distribution from the plan; and/or
- rolling the funds into an IRA rollover account

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney. Our recommendations may include any of them, depending on what we feel is in your best interest. We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts.

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

D&A does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

D&A generally provides investment advice and/or management supervisory services to the

following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals

### *Minimum Account Size*

There is an account minimum, \$250,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### **A. Methods of Analysis and Investment Strategies**

#### *Methods of Analysis*

To ensure consistency of investment advice and portfolio management, we maintain a series of asset allocation model portfolios which vary across multiple dimensions including overall risk profile, the degree to which active management risk is assumed and the degree to which taxes are considered in the construction of the portfolio. All model portfolios are managed in adherence to a top-down, fundamentally based investment process that seeks to maximize the portfolio return of the portfolio within specific, defined objectives and risk constraints. Our top-down approach focuses first on establishing asset allocation targets and subsequently sub-asset class allocation targets and finally on security selection (i.e., the identification and selection of individual securities or strategies to fill targeted portfolio allocations).

At the outset of any client relationship, and regularly thereafter, we work closely with our clients to understand their unique financial situation including their investment objectives, liquidity needs, time horizon and psychological willingness to bear risk. Based on our assessment, we generally recommend managing our clients' accounts in accordance with one or more of our asset allocation model portfolios. It should be recognized that client portfolios with similar investment objectives and asset allocation goals may own the same or different securities. Depending on the tax status of the client's individual accounts, tax considerations may influence our investment decisions. Further, clients who buy or sell securities on the same day may receive different prices based on the timing of the transactions during open market hours.

Each portfolio will maintain a target asset and sub-asset class allocation as predicated by the relevant model portfolio. We review individual client portfolios regularly to evaluate how closely each portfolio's allocations matches that of its target. When the variance is considered excessive, we will take appropriate action (e.g., buying and/or selling securities) to bring the actual allocation within the acceptable range of the target allocation. This process is referred to as "rebalancing."

We generally implement our client portfolio allocations with, exchange traded securities, exchange traded funds (ETFs) and no-load mutual funds (hereafter referred to interchangeably as a “fund”). We select individual funds to fulfil a specific, defined role within the overall portfolio. We consider multiple criteria when evaluating an individual fund, including, but not limited to: the investment philosophy and process employed in the management of the fund; the people directly involved in the investment process including research and portfolio management and trading; the parent organization sponsoring the fund; and the fund’s complete performance history relative to benchmarks and peers. Our evaluation is focused on identifying funds and managers that we believe possess an edge relative to other available alternatives that will lead to superior long-term investment performance on either an absolute or risk-adjusted basis depending on the specific strategy.

Other security types such as individual stocks, individual bonds, money market funds, structured products and private investment funds are periodically used in the construction of client portfolios.

Prior to entering into an Investment Advisory Agreement with D&A, each client should carefully consider that, as is the case with respect to any investment in securities, the risk of loss is present and that over time portfolio values will fluctuate such that at any time a client’s portfolio may be worth more or less than the amount invested. We do not guarantee that any investment strategy employed by us will meet its investment objectives or that a client’s account will not suffer losses.

We generally seek to minimize the risk of principal losses in client portfolio by diversifying assets both across and within different asset classes and specific investment strategies. However, it is imperative that clients recognize that while diversification can help to reduce the likelihood of realizing widespread losses across their total portfolio, there is no guarantee that it will succeed in doing so.

In addition to the risk that asset classes do not perform as expected, clients face the risk that allocations to particular asset classes could have achieved better results had allocations been affected in a different manner as a result of the specific security selection decisions made by D&A. A risk of mutual fund and ETF analysis is that, as is the case with all securities investments, past performance does not guarantee future results. A manager who has been successful in the past may not be able to replicate that success in the future. In addition, we do not control the underlying investments in a mutual fund or ETF, and as a result, there is the risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF which may adversely impact results.

D&A uses short term trading, short sales, margin transactions, and options writing (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### *Risk of Loss*

Investing involves a risk of loss. Clients should be prepared to bear investment loss, including the loss of the original principal. Clients should never presume that future performance of any specific investment or investment strategy will be profitable. Further, there may be varying degrees of risk depending on different types of investments. Clients should know that all investments carry a certain degree of risk ranging from the variability of market values to the possibility of permanent loss of capital. Although portfolios seek principal protection, asset allocation and investment decisions may not achieve this goal in all cases. There is no guarantee a portfolio will meet a target return or an investment objective.

Risks to capital include, but may not be limited to: changes in the economy, market volatility, company results, industry sectors, accounting standards and changes in interest rates. Investments are generally subject to risks inherent in governmental actions, exchange rates, inflation, deflation, and fiscal and monetary policies. Market risks include changes in market sentiment in general and styles of investing. Diversification will not protect an investor from these risks and fluctuations.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

Market risk. Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. Stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. Common stock (or its equivalent) is generally exposed to greater risk than preferred stocks and debt obligations of an issuer.

Company risk. There is always a certain level of company or industry specific risk that is inherent in each investment. Although this risk can be reduced through appropriate diversification, it cannot be eliminated. There is the risk that the issuer will perform poorly or have its value reduced based on factors specific to the issuer or its industry. If the issuer experiences credit issues or defaults on debt, the value of the issuer may be reduced.

Exchange traded fund and mutual fund risk. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will incur additional costs associated with ETFs and mutual funds (see Item 5).

Management risk. Investments managed by us vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities.

Foreign investments risks. Non-U.S. investments, currency and commodity investments may contain additional risks associated with government, economic, political or currency volatility.

Emerging markets risks. Emerging markets can experience high volatility and risk in the short term.

Liquidity risks. Generally, assets are more liquid if many investors are interested in a standardized product, making the product relatively easy to convert into cash. Specialized investments may have reduced liquidity.

Bond risks. Investments in bonds involve interest rate and credit risks. Bond values change according to changes in interest rates, inflation, credit climate and issue credit quality. Interest rate increases will reduce the value of a bond. Longer term bonds are more susceptible to interest rate variations than shorter term, lower yield bonds.

Sector risks. Investing in a particular sector is subject to cyclical market conditions and charges.

Tax risks. Our strategies and investments may have unique and significant tax implications. D&A will manage portfolios with an awareness of tax implications, but long-term wealth compounding is our primary consideration. Regardless of account size or other factors, D&A strongly recommends that its clients continuously consult with a tax professional prior to and throughout the investing of clients' assets.

### ***Investment Strategies***

D&A will generally implement client portfolios into the following investment strategies:

- ETF Capital Preservation Plus
- ETF Income Plus
- ETF Conservative Growth
- ETF Moderate Growth
- ETF Growth
- ETF Growth Plus
- ETF Aggressive Growth
- IQ Core Conservative
- IQ Famous Brands
- IQ Large Cap Growth
- PC Income Strategy

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

D&A generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize short sales, margin transactions, and options writing. Short sales, margin transactions, and options writing generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**



## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SR) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither D&A nor its representatives are registered as or have pending applications to become a broker/ dealer or as representatives of a broker/ dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither D&A nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### **C. Insurance Sales and Commissions**

Due to the firm's financial planning philosophy, it is common for our financial professionals to recommend that clients utilize insurance products (for example, a fixed index annuity ("FIA") as part of the client's overall financial plan in lieu of separately managed accounts (specifically, in lieu of cash and fixed income asset classes). You should be aware that there are a number of conflicts of interests that are present due to our planning philosophy and recommendations to utilize insurance products in this nature.

You may therefore work with your Drake financial professional in both their capacity as an investment adviser representative of Drake, as well as in their capacity as an insurance agent through our affiliated company, Loft Financial Advisory Group ("Loft"). As such,

your Drake financial professional, in their dual capacity as an IAR and insurance agent, may advise you to purchase insurance products (general disability insurance, life insurance, annuities, and other insurance products to you), and then assist you in implementing the recommendations by selling you those same products.

In exchange for selling you those products, the financial professional will typically be paid a commission. This recommendation that a client purchase an insurance product through them as an insurance agent presents a conflict of interest, as the receipt of commissions is an incentive to recommend products that could potentially be based on commissions rather than your personal needs and objectives.

Furthermore, commissions may vary by product, and each individual product may have different commission rates, encouraging the financial professional to recommend products that may pay higher commissions over the products that make the most sense for you.

In addition, insurance products may also have different payment schedules depending on the nature of the product, and the timing of the payments likely differ from that of the advisory options offered by Drake. This timing difference has the potential to create a conflict of interest since some financial professionals may have the incentive to recommend a product that pays commissions now, over an advisory product that pays fees over a relatively longer period. As an example, all other variables held equal, a 5% commission paid by an insurance company upon sale of a \$100,000 annuity product, may be more attractive to a financial professional than a one percent (1%) advisory fee charged on a \$100,000 account paid over a period of five (5) years, despite the overall pre-tax compensation paid to the financial professional being equal.

There are other conflicts present as well. Our affiliate company, Loft, utilizes the services of Advisors Excel, a third-party insurance marketing organization ("IMO") to select the appropriate product. The purpose of the IMO is to assist us in finding the insurance company product that best fits the client's situation, although the IMO also offers special incentive compensation to our investment adviser representatives when they act in their separate capacities as insurance agents if they meet certain overall sales goals by placing annuities and/or other insurance products through the IMO. These awards are typically awarded to the Firm based upon the aggregate sales of insurance products. This creates a conflict of interest for Loft financial professional to utilize the products recommended by the IMO.

Advisors Excel is a related company of AE Wealth Management. Advisors Excel provides affiliate members such as our insurance firm, Loft, with marketing assistance and business development tools to acquire new clients, technology with the goal of improving the client experience and our firm's efficiency, back office and operations support to assist in the processing of our insurance (through Advisors Excel) and investment advisory services (through AE Wealth Management) for clients, and business succession planning for our firm. Although some of these services may directly benefit a client, other services obtained by us from Advisors Excel such as marketing assistance and business development may not benefit an existing client.

We have taken a number of steps to manage this conflict of interest. As a fiduciary, we expect and require that each investment adviser representative only recommend insurance and annuities when in the best interest of the client. The sale of commission-based products is supervised by the firm's Managing Members, and the firm makes periodic reviews of its insurance recommendations to ensure that our financial professionals act in accordance with our fiduciary duty. If you have any questions or concerns about annuity recommendations made during the financial planning process, we encourage you to immediately bring it to the attention of your investment professional or the CCO.

Finally, you should be aware that there are other insurance products that are offered by other insurance agents other than those recommended by our financial professionals. You are under no obligation to implement any insurance or annuity transaction through Loft.

### **C. Use of Artificial Intelligence (AI)**

Drake & Associates uses Artificial Intelligence to assist with some back-office operations of the Firm. DAL uses an AI platform to assist with note taking on certain phone calls, in person meetings and virtual meetings of supervised persons. This AI platform dictates the audio of a conversation when added to a Firm online meeting. It is not always added to client or internal calls and it is the sole discretion of the members of a meeting to add the AI note taking platform.

### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

D&A may direct clients to third-party investment advisers. D&A will be compensated via a fee share from the advisers to which it directs those clients. The fees shared will not exceed any limit imposed by any regulatory agency. This creates a conflict of interest in that D&A has an incentive to direct clients to the third-party investment advisers that provide D&A with a larger fee split. D&A will always act in the best interests of the client, including when determining which third party investment adviser to recommend to clients. D&A will verify that all recommended advisers are properly licensed, notice filed, or exempt in the states where D&A is recommending the adviser to clients.

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

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

## **B. Recommendations Involving Material Financial Interests**

D&A does not recommend that clients buy or sell any security in which a related person to D&A or D&A has a material financial interest.

## **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of D&A may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of D&A to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. D&A will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of D&A may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of D&A to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. D&A will always transact client's transactions before its own when similar securities are being bought or sold.

# **Item 12: Brokerage Practices**

## **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Custodian, Charles Schwab & Co. ("Schwab"), Schwab, member FINRA/SIPC/NFA., was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. D&A will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

### **1. *Research and Other Soft-Dollar Benefits***

D&A receives research, products, or services other from its broker-dealer or another third-party in connection with client securities transactions (“soft dollar benefits”). There is no minimum client number or dollar number that D&A must meet in order to receive free research from the custodian or broker/ dealer. There is no incentive for D&A to direct clients to this particular broker-dealer over other broker-dealers who offer the same services. The first consideration when recommending broker/dealers to clients is best execution.

### **2. *Brokerage for Client Referrals***

D&A receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

D&A will not allow clients to direct D&A to use a specific broker-dealer to execute transactions. Clients must use D&A recommended custodian (broker-dealer). By requiring clients to use our specific custodian, D&A may be unable to achieve most favorable execution of client transactions and this may cost clients money over using a lower-cost custodian.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

# **Item 13: Reviews of Accounts**

## **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

D&A will generally block trades where possible and when advantageous to clients. Certain trades will be effected independently. The blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts where transaction costs are shared equally and on a pro-rated basis between all accounts included in the block. Block trading allows us to execute equity or fixed income trades in a timely, equitable manner and to reduce overall commission charges to clients. Clients who do not provide D&A with discretion will not participate in block trades, and their trades in similar securities will be placed with brokers after trades for discretionary accounts. Accounts owned by supervised persons of our firm may participate in block trading with your accounts; however, these individuals will not be given preferential treatment of any kind.

Client accounts are reviewed at least annually by D&A Investment Adviser

Representatives. The level of review will vary depending upon the complexity of the individual client portfolio and any additional services being offered to the client. The reviews will focus on a number of topics including but not limited to asset allocation and account performance. All financial planning accounts are reviewed upon financial plan creation and plan delivery. There is only one level of review for financial plans, and that is the total review conducted to create the financial plan.

## **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

With respect to financial plans, D&A's services will generally conclude upon delivery of the financial plan.

## **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian. Clients will also receive a quarterly statement from D&A through their client portal. Clients are encouraged to compare their custodians statement against those provided by D&A. In the event of a discrepancy, please contact D&A immediately.

Each financial planning client will receive the financial plan upon completion.

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

## **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

D&A receives compensation from third-party advisers to which it directs clients.

D&A participates in the institutional advisor program (the "Program") offered by Schwab. Schwab offers to independent investment advisor services which include custody of securities, trade execution, clearance and settlement of transactions. D&A receives some benefits from Schwab through its participation in the Program.

As part of the Program, D&A may recommend Schwab to clients for custody and brokerage services. There is no direct link between D&A's participation in the Program

and the investment advice it gives to its clients, although D&A receives economic benefits through its participation in the Program that are typically not available to Schwab retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving D&A participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have D&A's fees deducted directly from client accounts; 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; and discounts on compliance, marketing, research, technology, and practice management products or services provided to D&A by third party vendors. Schwab may also pay for business consulting and professional services received by D&A's related persons. Some of the products and services made available by Schwab through the Program may benefit D&A but may not benefit its client accounts. These products or services may assist D&A in managing and administering client accounts, including accounts not maintained at Schwab. Other services made available by Schwab are intended to help D&A manage and further develop its business enterprise. The benefits received by D&A or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to Schwab. As part of its fiduciary duties to clients, D&A endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by D&A or its related persons in and of itself creates a conflict of interest and may indirectly influence the D&A's choice of Schwab for custody and brokerage services.

## **B. Compensation to Non - Advisory Personnel for Client Referrals**

D&A does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

D&A, with Client's written authority, has limited custody of client's assets through direct fee deduction of D&A's Fees only. Constructive custody of all client's assets and holdings is maintained primarily at Charles Schwab & Co., a Division of Schwab, Inc., member FINRA/SIPC/NFA. Clients will receive all required account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

For those client accounts where D&A provides ongoing supervision, the client has given D&A written discretionary authority over the client's accounts with respect to securities to be bought

or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides D&A discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian.

### **Item 17: Voting Client Securities (Proxy Voting)**

D&A will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

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

#### **A. Balance Sheet**

D&A does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

#### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Loft Financial Advisory Group LLC, has applied for and received an EIDL loan from the SBA to help offset expenditures due to the COVID-19 impact. D&A have applied and received ERC credits due to the COVID-19 impact.

#### **C. Bankruptcy Petitions in Previous Ten Years**

D&A has not been the subject of a bankruptcy petition in the last ten years.