R. Karras, Asset Management & Planning, LLC

"Are we the missing piece of your financial picture?"

Planner Selection Process

&

Scope of Investment Understanding

For clients of

R. KARRAS, ASSET MANAGEMENT & PLANNING, LLC
Registered Investment Advisor

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How A Financial Planner Can Help You

Financial planning can help you:

- Set realistic financial and personal goals
- Assess your current financial health by examining your assets, liabilities, income, insurance, taxes, investments and estate plan
- Develop a realistic, comprehensive plan to meet your financial goals by addressing financial weaknesses and building on financial strengths
- Put your plan into action and monitor its progress
- Stay on track to meet changing goals, changing personal circumstances, changing stage of your life, changing products, markets and tax laws

Making your financial dreams come true ...

Like most people, you have hopes, dreams, and life goals for yourself and your family. These might include buying a home or business, saving for college education for your children, taking a dream vacation, reducing taxes, and retiring comfortably. Financial planning is the process of wisely managing your finances so that you can achieve your dreams and goals-- while at the same time helping you negotiate the financial barriers that inevitably arise in every stage of life.

Managing your personal finances is ultimately your responsibility. However, you don't have to do it alone. A qualified financial planner, such as a CERTIFIED FINANCIAL PLANNER (CFP) professional, can help you make decisions that make the most of your financial resources.

Why Are the CFP Certification Requirements Important

When I am looking for a financial planner what should I be looking for?

Most people think that all financial planners are "certified," but this isn't true. Anyone can call himself or herself a "financial planner." Only those who have fulfilled the certification and renewal requirements of CFP Board can display the CFP certification marks. When selecting a financial planner, you need to feel confident that the person you choose to help you plan for your future is competent and ethical. The CFP certification provides that sense of security by allowing only those who meet the following requirements the right to use the CFP certification marks.

Why A CFP Professional?

FPA supports the CFP certification because CFP professionals are dedicated to using the financial planning process to serve the financial needs of individuals, families and businesses. Most CFP professionals have earned a four-year college degree in finance-related areas, and have completed a course of study in financial planning approved by CFP Board.

To earn the prestigious CFP certification and remain certified as a CFP professional, individuals must meet four main requirements.

Examination- They must successfully complete CFP Board's comprehensive certification examination, which tests the individual's knowledge on various key aspects of financial planning.

Experience- They must acquire three years of financial planning-related experience before receiving the right to use the CFP marks.

Ethics- They must voluntarily ascribe to CFP Board's code of ethics and additional requirements as mandated. CFP practitioners who violate the cod can be disciplined, including the permanent loss of the right to use the CFP marks.

Education- They must complete 30 hours of continuing education every two years to stay current in financial planning knowledge, including ethics.

Compliance with these four all-important areas assures you that an individual who holds the CFP certification is well prepared and qualified to give you sound, professional advice.

As a result of its established recognition and credibility as a symbol of educational competence and continued commitment to financial planning excellence, FPA recommends the use of CFP professional for your financial planning needs.

Wealth Management Compensation Structure

While the financial planning & wealth management process can be terribly complicated, the cost to get these services delivered shouldn't be.

Fundamental Difference:

One thing consumers should be aware of is who their broker/advisor works for. Many times brokers represent the company they work for and utilize their company's products. These individuals are held to what's called a "suitability" standard meaning they only need to have "reasonable grounds" to believe that the financial products they recommend is suitable for your needs.

Investment advisors on the other hand operate as fiduciaries and as such are legally and ethically bound to put their client's interest ahead of their own.

As a Registered Investment Advisor, R. Karras, Asset Management & Planning, LLC acts as a fiduciary to you, our clients. As a fiduciary by law we must act in the best interest of our clients. That's the law.

Compensation Difference:

Typically brokers working under the suitability standard sell commission investment products where consumers pay a "commission." Internally, clients may also pay additional higher costs, such as high transaction costs, expense ratios and perhaps some additional company costs.

R. Karras, Asset Management & Planning, LLC delivers a straightforward "fee" based structure, where clients don't pay any commission charges on their investment, typically paying the lowest internal charges on expense ratios in the market along with very low trade charges provided by our back office relationship with TD Ameritrade Institutional.

In Summary - Be sure to understand how your advisor is compensated. Is it aligned with you through a fee structure or is it designed to pay a high commission broker every transaction they make?

Scope of Investment Understanding

Introduction

This document is designed to provide clients as well as potential clients of R. Karras, Asset Management & Planning, LLC with a broad understanding of how the firm invests client assets. While broad in nature, this document will explain the various asset classes, the ranges of allocations to each, as well as the method involved in the selection of holdings that would apply to client accounts.

General Objectives

While there are many different investment philosophies in the market today (i.e. buy and hold, day trading, etc) and many opinions on what may be the best, I have experienced some of both and agree that due to different conditions, both may be appropriate. With this in mind, our investment goal is quite simple; we utilize a variety of invested vehicles to help clients achieve their personal long-term objectives. The objectives may be short-term in nature (under 2 years) as well as mid to longer-term (lifetime). Our current and future outlook will always focus on you– our client and your objectives.

In keeping our focus on clients, goals, time frames and objectives, we need to evaluate risk and proceed accordingly. As we revisit and monitor our clients' progress in achieving their objectives, our primary responsibility is to invest in ways that will best make our success possible. In most cases, we are not trying to outperform the stock market; we are trying to achieve set goals, and returns may be secondary in those cases due to risk management.

Process

Our clients and potential clients start with a no obligation meeting of clarity and understanding. The goal of this meeting is to see what page our clients are on and establish where they want to go, as well as to start and discuss the possibility and probability of success in achieving their goals. In essence, we need to evaluate and see if these goals are realistic. Each client is asked to complete our risk tolerance questionnaire "FinaMetrica," provided by MoneyGuide Pro, the provider of our financial planning software. Since its release in 1998, this risk profiling system has become an integral part of the "know your client" process that is currently utilized by over 3,000 largely independent high-end financial advisors. Once this process has been completed, we are now on our way to begin the process to handle and select investments for our clients. Our "FinaMetrica" questionnaire encompasses 25 questions for clients to address that allows us to get to know the deeper thoughts about money that clients may have. While not designed to give the direction for investments, this does provide both a blend of psychology and statistics for each client in an attempt to assist us in the selection and mix of assets that will be held in a client's portfolio.

Portfolios

The firm has comprised 6 different client portfolios (models) that are used to match against client scores from the "FinaMetrica" questionnaire. Based on the scores achieved from a range of 0 to 100, a client's assets would then be directed toward whichever portfolio would most closely match our client's risk profile. As would be expected, the least aggressive portfolio model would be expected to provide the least amount of return. Conversely, the highest score would be more invested on the aggressive side of the spectrum and be expected to provide a higher rate of return. Remember, our goal is not to chase returns and shoot for the stars- rather to be consistent and abide by our client's risk objective to provide them the long-term results that will achieve success.

Strategy & Models

There are several types of asset allocation strategies based on investment goals, risk tolerance, time frames and diversification: strategic, tactical, and core-satellite.

Strategic Asset Allocation - the primary goal of a strategic asset allocation is to create an asset mix that will provide the optimal balance between expected risk and return for a long-term investment horizon.

Tactical Asset Allocation - method in which an investor takes a more active approach that tries to position a portfolio into those assets, sectors, or individual stocks that show the most potential for gains.

Core-Satellite Asset Allocation - is more or less a hybrid of both the strategic and tactical allocations mentioned above.

R. Karras, Asset Management & Planning, LLC will employ more of a core-satellite strategy. As mentioned, our firm has designed 6 portfolios with 3 portfolios on the growth side and 3 portfolios on the income side. They are as follows:

Growth Models:	***Equities***	***Fixed Income***
Aggressive Growth	82%	18%
Moderate Growth	77%	23%
Conservative Growth	65%	35%

Income Models:	*Equities*	*Fixed Income*
Aggressive Income	50%	50%
Moderate Income	30%	70%
Conservative Income	10%	90%

Generally speaking the growth models are designed for clients with the higher scores from the questionnaire, therefore the portfolios are invested with more of the assets in market-related equities.

With the income models, the emphasis is placed more on the fixed side of the spectrum to provide less volatility as well as more stability for our clients. These again are designed to more closely fit our clients' objectives.

Investments

Equity Side of Models- While there are many philosophies to follow and assets to consider, we use a blend of individual securities (stocks), Exchange-Traded Funds (ETFs), and some mutual funds. Our asset classes are designed so as to allocate between Large, Mid, and Small Cap issues. The equity side of the portfolio also covers International/Foreign exposure as well as market discretionary, which in some cases could include sector related areas as well as commodities.

Fixed Income Side of Models- Much has happened over the past years specifically the events of the Lehman Brothers in September of 2008 when the money market industry "broke the buck" with the financial crash. Due to this uncertainty, we have added a section to our fixed income portions of our models with the heading "FDIC Insured." This allocation refers to, as it says, insured investments. In addition to this FDIC Insured allocation, we would utilize individual bonds, both government and corporate durations would be short, mid and long term depending on the client's goals and objectives as answered in the FinaMetrica questionnaire. Other allocations could be to cash and money markets as well as bond mutual funds.

Stocks, Funds, & ETFs

There is a huge disparity as to how investment managers view the above investments. We look at them as each having their own place. First, a brief explanation, an individual security (stock) would most likely be held in a portfolio where we have enough assets to cover the majority of the 11 asset classes we identify. Typically, no one stock would comprise more than 10% of the total value of the account. We may add stocks if we feel there is a value in the stock and we can have an upside position. The length of time we hold the stock is a choice we employ.

Mutual funds—a mutual fund is a pool (a selection) of various and many stocks wrapped together in a package that is managed by a fund manager. This fund manager buys and sells at their discretion what they feel they want to hold in the fund. Typically, these funds have an internal charge for the management of the mutual fund. Fund managers are supposed to select their portfolio as indicated in the prospectus, which will set each one of the investment goals and objectives.

Exchange-Traded Funds (ETFs)- these are designed to track any one of the exchanges that they are tied to. For example the S&P 500 is tracked with specific ETF's. The Financial Index is tracked with specific financial index ETF's. ETF's are similar in nature to mutual funds as they do hold a portfolio of securities that are preselected and have no internal ongoing management.

Differences & Benefits of Stocks, Funds, & ETFs

Stocks- Individual securities can be very liquid and bought and sold at any time during the trading day (9:30 AM- 4:00PM). The prices and cost will be known immediately once transacted.

Mutual Funds- While mutual funds typically track a basket of funds, they only have liquidity at the close of business each trading day. Therefore, it is impossible to know the exact cost until the close of business that trading day. Normally, the costs associated with managing these funds are greater than individual stocks or ETFs.

ETFs- Much has been written about the differences between mutual funds and ETF's, we see a clear difference. According to Morningstar, huge losses in 2008 prompted a shift from traditional mutual funds into ETFs. The reason is that ETFs are:

- More stable and defined than mutual funds
- Indices outperform active fund managers 60%-70% of the time
- Active managers may leave or use bad discretion on their holdings
- Timing the market

Conclusion

R. Karras, Asset Management & Planning, LLC while aware of market returns, do not necessarily have as their objective to beat the market. Our goal is and always has been to understand our clients' goals and objectives and manage their investments accordingly. We have found that by focusing on our clients, asset mix, duration and risk objective we can compete very favorably and assume less risk than the market. By this approach, we feel we add more stability and less volatility as well.

We hope this guide helps you understand us, our goals, and the credence we put in you—our most valuable asset.

Thank you for working with us!

R. Karras, Asset Management & Planning, LLC

Client Signature ____ Date ____________

Advisor Signature _______________________________________ Date ____________