

## Educating Clients About Our Business Relationships: Bennon & Thorpe, LLC and ValMark Financial Group, LLC

*Starting a conversation with clients about the differences between Investment Advisory, Broker-Dealer, and Insurance Services*

### **INDEPENDENT CONTRACTOR RELATIONSHIP WITH VALMARK COMPANIES**

We are Bennon & Thorpe, LLC, an independent financial advisory firm affiliated with ValMark Financial Group, LLC (referred to collectively with its subsidiaries as “ValMark”). We believe that by providing holistic planning there are a variety of financial products that may be appropriate to help you meet your financial goals and that is why we have affiliated with ValMark, to provide us access to certain products and services. While we have chosen to affiliate with ValMark, we are not employees nor otherwise controlled by ValMark. As an independent business, we pay all our business overhead expenses including staffing, rent, and employee benefits. Based on the services or products we recommend, we, along with the ValMark companies, as further described herein, can fulfill your wealth and risk management needs in one or more of our capacities as Investment Adviser Representatives (advisory services), Registered Representatives (brokerage services), or agents (insurance services). Each of these capacities imposes different legal duties and specific regulatory requirements. It is the goal of this communication to begin a conversation regarding the various roles in which we may serve and each role’s attendant duties and requirements. Additionally, members of our team hold professional designations, each with their own ethical obligations separate and apart from the relationships described herein. In some instances, the ethical obligations of the credential holder may be higher than duties imposed by law.

Associates of our firm are affiliated with ValMark in the following ways:

- As Investment Adviser Representatives serving as investment advice fiduciaries by offering investment advice through ValMark Advisers, Inc. (VAI), an investment advisor registered with the U.S. Securities and Exchange Commission (SEC). As Investment Adviser Representatives of VAI, we can provide investment management, consulting, and financial planning for a fee.
- As Registered Representatives of ValMark Securities, Inc. (VSI), a national, introducing broker-dealer, registered with the Financial Industry Regulatory Authority (FINRA). When selling variable life insurance and annuity products, these products are sold through the broker-dealer.
- As Insurance Agents, we are contracted through Executive Insurance Agency, Inc. (EIA), a ValMark affiliated company, to provide general account life insurance and certain fixed annuity products through multiple insurance companies that are regulated by state insurance departments.

It is important to understand that investment advisory, brokerage and insurance services are separate and distinct services each governed by different laws, legal standards, and separate contracts with you. While there may be similarities, depending on the capacity in which we act, the contractual relationship and legal duties owed to you are subject to several important differences. We encourage you to read this information carefully and hope it will be a starting point for further discussions about these important relationships.

### **ADVISORY SERVICES**

Associates of our firm are Investment Advisor Representatives of VAI. When serving in this capacity, VAI and our associates are investment advice fiduciaries under the Securities and Exchange (SEC) standard. Through this affiliation, we can offer both fee planning and many investment advisory programs to you. These services may include consulting, comprehensive financial planning, limited discretionary investment advisory programs, and advice on the selection of investment managers and mutual funds offered through VAI’s investment advisory programs.

When VAI acts as your investment advisor, and our associates act as your Investment Advisor Representatives, we will enter into a written agreement with you expressly acknowledging the fiduciary advisory relationship and describing the obligations we owe you. VAI and I will supply you with VAI’s Form ADV Part 2A or Part 2A Appendix and Part 2B brochures that provide detailed information about, among other things, the advisory services provided, fees for those services, code of ethics, other business activities, financial industry affiliations and any conflicts between VAI and our interests and your interests, at the beginning of the advisory relationship. VAI’s Form ADV, along with other important disclosures you should read, can be found at: <http://www.valmarkfg.com/site/resources-section/company-disclosures/>. During the advisory relationship, your money is not directly held at ValMark but is instead, custodied at a firm selected by you. You may choose to have your funds held at Charles Schwab, TD Ameritrade or Pershing LLC.

### **CHARGES FOR INVESTMENT ADVISORY SERVICES:**

For asset management accounts, you will be charged a fee, which may vary based on a percentage of your advisory assets and services provided, that will be subtracted from your account quarterly. For consulting services, a fee for services can also be charged for specific services. Both types of fees are documented in the advisory contract. Our firm receives most of the fees you pay with a portion retained by VAI.

### **FIDUCIARY ROLE & RESPONSIBILITIES AS AN INVESTMENT ADVISOR:**

When VAI acts as your registered investment advisor and our associates act as Investment Advisor Representatives, we are held to legal standards under the Investment Advisers Act of 1940 and state laws, where applicable, which reflect the high standard of a fiduciary. This standard includes:

- Obligations to disclose to you all material conflicts between our interests and your interests.
- If we, or our affiliates, receive additional compensation from you or a third-party because of our relationship with you, we must disclose that to you.
- We must obtain your informed consent before we can act in an investment advisory capacity.
- We must treat our advisory clients fairly and equitably and cannot unfairly advantage one client to the disadvantage of another.
- The investment decisions or recommendations we make must be suitable and appropriate for you, and consistent with your investment objectives and goals, and any restrictions you have placed on us.
- We must act in what we reasonably believe to be your best interest and in the event of a conflict of interests, we must place your interest before our own.

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## **BROKERAGE SERVICES**

As an introducing broker-dealer, VSI can take your securities orders and execute transactions directly through an insurance or mutual fund company, or through our clearing firm, Pershing LLC. Any recommendation of securities by one of us in our capacity as Registered Representatives of VSI is part of the brokerage services and no separate fee is charged for this advice. In accordance with FINRA rules, recommendations must be suitable for you in light of your particular financial circumstances, goals and tolerance for risk. The advice and service we provide to you with respect to brokerage accounts are an integral part of services offered as a broker-dealer. When serving in this capacity, the insurance company, mutual fund, investment company and/or clearing firm pays VSI a commission, most of which is paid to us as Registered Representatives.

## **VARIABLE LIFE AND ANNUITY PRODUCTS:**

Some insurance products are dually regulated; by individual state insurance commissioners and by FINRA. These products are filed with the SEC through a prospectus. The prospectus contains information on costs and risks associated with the investment. This is because they offer clients investment choices in sub-accounts that contain securities. When we recommend these products to you, our licensed associates are acting as Registered Representatives of a broker-dealer, VSI. Compensation is in the form of commissions, overrides and bonuses similar to general account life insurance products and may vary based on the product recommended. These transactions are supervised by VSI and must be deemed suitable for you, based on information provided by you.

## **CHARGES AND POSSIBLE CONFLICTS:**

If you choose to establish a brokerage account with VSI using one of us as Registered Representative, you will pay a commission for brokerage services each time a transaction is executed for your account. This commission is negotiable and will be disclosed in every confirmation statement. In the case of mutual funds, group annuities, variable life insurance and annuities, VSI will be paid a commission from the issuer of the security. VSI pays a large portion of commissions to us as Registered Representatives of the broker-dealer. When acting as Registered Representatives of VSI, we are under no obligation to recommend any specific company's products. We have, however, agreed to minimum production requirements, in aggregate, to maintain a relationship with VSI and the firm's buying group. As our production increases, we receive an increasing percentage of the amount of commissions paid to VSI. Further details about specific brokerage service pricing and special compensation arrangements may be found on the above referenced ValMark disclosure webpage.

## **ROLE & RESPONSIBILITY AS A BROKER-DEALER:**

When VSI acts as your broker for securities transactions, with our team members as its Registered Representatives, we are held to the legal standards of the Securities Exchange Act of 1934, the Securities Act of 1933, the rules of self-regulatory organizations, such as FINRA, and state laws where applicable. As a broker-dealer and Registered Representatives, VSI and team members, respectively, have a duty to deal fairly with you. Consistent with

the duty of fairness, is an obligation to make sure prices you receive when executing transactions are reasonable and fair considering prevailing market conditions. We must have a reasonable basis for believing any securities recommendations made to you are suitable and appropriate for you, given your individual financial circumstances, needs and goals. It is important to note when acting as your broker-dealer and Registered Representatives, respectively, we do not enter into an investment advice fiduciary relationship with you when recommending investment transactions, as we would when providing you investment advisory services. Our legal obligations to disclose detailed information to you about the nature and scope of our businesses, fees, and conflicts between our interests and yours are more limited than when we owe you fiduciary duties.

## **INSURANCE SERVICES**

EIA and associates of our firm are each licensed with certain state departments of insurance as life agents and appointed with several insurance companies to offer you a wide variety of insurance products such as life insurance, disability insurance, long-term care insurance, annuity products and group insurance. When serving as insurance agents, our compensation is exclusively in the form of commissions, overrides and bonuses paid to us directly or through EIA. We are under no obligation to use any specific company's products but we have agreed to minimum production requirements, in aggregate, to maintain a relationship with EIA's buying group. While compensation is similar among products of various companies, it does differ between products and we may make more on some products than others.

## **INSURANCE AND BROKERAGE SERVICES INDIRECT COMPENSATION DISCLOSURES**

EIA and VSI have certain companies with which they have selling agreements. It is these companies' products, expertise and services to which we have access. EIA and VSI also have buying leverage with these carriers for their respective clients. Because of direct contracts and a large volume of business between these select insurance companies, there may be higher compensation than with insurance companies where there is little volume or carriers that choose to also pay a wholesaler or an insurance company general agent. Select carriers may subsidize software, training, meetings, trips, and other benefits, but the value of these items in no cases exceeds 5% of EIA and VSI's combined total compensation.

## **FOR MORE INFORMATION**

Understanding the ways in which ValMark and our firm can conduct business with you is vital to our relationship with you and it is part of our ethical duty as professionals to disclose this information to you. The investment advisory programs, brokerage accounts and insurance ValMark and our firm offer you differ in other ways than those summarized above. It is, therefore, important that you carefully read all agreements and disclosures provided to you regarding the products or services under consideration. ValMark and our firm strive to make sure the nature of our services is clear in materials we publish. If, at any time you would like further clarification on the nature of your accounts or the services you receive, you are strongly encouraged to contact either our firm or ValMark.