

# Legacy Financial Advisors Corporation

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March 10, 2021

**This Brochure provides information about the qualifications and business practices of Legacy Financial Advisors Corporation. If you have any questions about the contents of this Brochure, please contact us at 952.893.5555. 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 Legacy Financial Advisors Corporation also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

Since the date of Legacy Financial Advisors Corporation’s last annual Brochure dated, March 2020, Legacy Financial Advisors has not noted any material changes to its business or service offerings.

In the past we have offered or delivered information about our qualifications and business practices to Clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary based on changes or new information or at your request, at any time, without charge.

Currently, our Brochure may be requested by contacting Tom Menzel, Chief Compliance Officer, at 952.893.5555 or [tmenzel@lfamn.com](mailto:tmenzel@lfamn.com).

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#### **Item 4 – Advisory Business**

Legacy Financial Advisors Corporation (“Legacy”) is a wealth-management firm founded in 1996 specializing in retirement, investment, and estate planning. Principal owners Tom Menzel and Laura Biermann seek to develop individualized solutions to address specific goals and needs in guiding Clients through complex financial situations. Our team prides ourselves on clear and open communication, friendly and, reliable service, and on maintaining the highest levels of integrity in all aspects of our business. Above all, we seek to provide our Clients with absolute financial clarity and steadfast confidence in our dedication to their unique financial goals.

Tom Menzel is the firm’s president and majority shareholder in Legacy Financial Advisors Inc. He has over 35 years of providing financial planning advice to individuals. Laura Biermann, Principal owner, and minority shareholder is the firm’s Vice President. Tom and Laura hold the CERTIFIED FINANCIAL PLANNER® designation. Legacy offers the following services to Clients:

- Wealth/Portfolio Management & Selection of Private Money Managers; and/or
- Financial/Estate/Retirement Planning.

#### **Wealth/Portfolio Management & Selection of Private Money Managers**

The investment proposal presented to a Client is tailored to match their risk tolerance, investment objectives and time horizon. Legacy will jointly define an investment objective or develop an investment policy with the Client and advise the Client regarding the selection and monitoring of the Client’s portfolio. Legacy uses an independent qualified custodian to maintain Client accounts, specifically Schwab Advisor Services (“Schwab”). Our primary investment vehicles are those available on the Schwab platform and include but are not limited to active and passively managed mutual funds, exchange traded funds and individual securities. In addition to those investments, Legacy may also provide investment advice on 529 college savings plans, insurance-based investments, 401k, 403b, 457 or 401a retirement savings accounts and other investment vehicles that might be available to our Clients.

## **Financial/Estate/Retirement Planning**

Legacy provides advice in the form of financial and estate plans. Clients selecting this service will receive a written report, providing the Client with details of their current financial situation, suggestions, and recommendations to help them work toward their financial goals and objectives.

Financial planning may cover any or all of the following areas:

- Retirement planning
- Education planning
- Inheritance/Estate planning
- Asset allocation
- Special needs planning
- Asset management
- Tax planning
- Insurance needs analysis
- Other areas of importance to the Client

For Clients who choose financial planning, Legacy gathers information through in-depth personal interviews to assess a Client's current financial status, future goals, and attitudes toward risk. Clients also complete a detailed questionnaire supplied by Legacy and are also required to furnish certain records and documents to Legacy for review. These documents may include tax returns, W2s and/or 1099s, information on current retirement plans, insurance provided by the Client's employer, mortgage information, insurance policies, statements reflecting current investments in their retirement and non-retirement accounts, copies of wills or trusts, and other documents that may be deemed pertinent at Legacy's request.

Upon receipt of these documents, Legacy will review the Client's current financial situation and make recommendations based on the Client's financial goals and expectations, investment objectives and investment time horizon. At the same time, the Client's risk tolerance (or ability to live comfortably with risk in association with their investments) will be considered. A written plan will then be presented to the Client along with an outline of suggestions to improve the Client's current financial situation as well as suggested steps to help reach the stated investment goals.

At no time is the Client under any obligation to implement (with Legacy or with any other firm) any or all the suggestions as outlined in the financial plan. Implementation is solely at the Client's discretion. It is the responsibility of the Client to notify Legacy of any changes to their financial situation or objectives that may impact the focus of the financial plan.

### **Assets Under Management**

As of December 31, 2020, Legacy Financial Advisors manages approximately \$237,970,833 in assets in 799 accounts. Approximately \$234,073,454 is managed on a discretionary basis and \$3,897,379 on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

#### **Wealth Management Fees**

Accounts that are managed by Legacy will be charged based on a percentage of assets under management. When Legacy manages Client assets, the wealth management fee (as outlined) is the only fee charged by Legacy, and Legacy will not charge an additional fee for estate planning or general financial consulting. The wealth management fee percentage is dependent on the scope and extent of services provided and the value of assets managed. The wealth management fees for Clients of Legacy are negotiable and typically fall into a range between .40 % and 1.75%. Fees are determined at the outset of the advisory relationship when an advisory contract is executed with the Client. Fees are billed at the beginning of each quarter and collected in advance.

#### **Private Money Manager Fees**

Private Money Managers charge fees for consulting and administrative services, as do the underlying individual money managers. These fees, which are calculated as a percentage of assets under management and vary by money manager, are in addition to the fees charged by Legacy and will be fully disclosed prior to the Client signing a Private Money Manager's agreement. Clients should review the Private Manager's Form ADV, Part 2A for a full description of all fees. The clearing firm that holds the accounts may charge transaction fees to the Client to buy or sell individual stocks or mutual funds. These fees are not shared with Legacy nor does Legacy receive a sales commission on transactions executed by the private manager's clearing firm. Transactions

costs and/or ticket charges generated from the Private Money Manager's trading will be the responsibility of the Client.

### **Conditions for Managing Accounts & General Information about Fees**

Legacy Financial Advisors has a targeted investment minimum of \$500,000 of investable assets per household. This minimum may be waived in certain instances. Account minimums for Private Money Managers are listed in their respective Form ADV, Part 2A.

The specific way fees are charged by Legacy is established in the Client's written agreement with Legacy. Clients may elect to be billed directly for fees or to authorize Legacy to directly debit fees from Client accounts for investment management. Fees will be billed at the end of the calendar quarter that the client initiated their wealth management engagement with Legacy. Fees are billed in advance for the upcoming quarter with inception fees being calculated and charged a prorated fee on each deposit. If a client terminates their engagement with Legacy, fees will be returned based on the remainder of the quarter after the termination is in effect.

A Client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The Client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

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

Legacy does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client).

### **Item 7 – Types of Clients**

Legacy provides portfolio management services primarily to individuals and various family trusts, as well as charitable institutions, foundations, and endowments.

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

The method of analysis employed at Legacy is primarily fundamental analysis using information from Morningstar, fund prospectuses, information and research obtained from investment management companies including Schwab, Private Money Managers, and others that we feel are beneficial. Employees of Legacy also attend or take part in on-site and off-site visits with representatives of investment funds, participate in industry conference calls, and periodically may attend industry conferences.

The primary investment strategy we use for Client investment portfolios is strategic asset allocation. Portfolios are generally diversified to reduce risk from any one sector or region. The investment strategy for a specific Client is based upon the objectives, income needs, and tax situation stated by the Client during consultations. The Client may change these objectives at any time.

Our strategies and investments may have unique and significant tax implications. Regardless of your account size or other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Investing in securities involves risk of loss that clients should be prepared to bear. Although we manage your portfolio with strategies and in a manner consistent with your risk tolerances, there can be no guarantee that our efforts will be successful. Specific risks that each Client should understand, as they may be applicable to their own investment portfolio, include:

*Market Risk.* The market values of securities owned may decline, at times sharply and unpredictably. Market values of equity securities are affected by several different factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, decreased demand for an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity.

*Economic Risk.* Changes in economic conditions, including, for example, interest rates, inflation rates, political and diplomatic events and trends, tax laws and innumerable other factors, can substantially and adversely affect investments.

*Asset Allocation Risk.* Asset Allocation may have a more significant effect on account value when one of the more heavily weighted asset classes is performing more poorly than the others. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

*Concentrated Portfolio Risk.* To the extent a portfolio invests in or holds a limited number of stocks, it may have more risk because changes in the value of a single security may have a more significant effect, either negative or positive, on the strategy's performance.

*Foreign Investment Risk.* Investments in the securities of foreign issuers may experience more rapid and extreme changes in value than funds with investments solely in securities of U.S. companies. This is because the securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, foreign securities issuers may not be subject to the same degree of regulation as U.S. issuers.

*Fixed Income Risk.* Including: *interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates; *income risk*, which is the chance that a strategy's income will decline because of falling interest rates; *credit risk*, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline; and *call risk*, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The investment would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the investment's income.

*Alternative Investment Risk.* Alternative investments create exposure to markets and investment strategies that cannot be accessed through traditional fixed income and equity markets and may result in a lack of liquidity in that there may be no secondary market for alternative investments. Alternatives are exposed to potential loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices. Returns may be volatile, there may be delays in tax reporting and there are typically restrictions on transferring interests.

Legacy's investment strategies may include margin transactions, futures and options. As these strategies involve additional degrees of risk, they will only be recommended to Clients for who such risk is appropriate.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Legacy or the integrity of Legacy's management. Legacy has no information applicable to this Item.

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

The principal business of Legacy is to provide financial planning and investment management services to individuals. As part of a financial plan, it may be recommended that insurance coverage is purchased or modified. The advisors at Legacy maintain licenses to sell life and long-term care insurance products in Minnesota through various companies. If a policy is sold by an advisor with Legacy, we may receive a commission from that sale. If we refer Clients to other agents for insurance products including life, health, disability or property and casualty, we do not receive any direct compensation.

These practices present a conflict of interest because it gives the IAR an incentive to recommend products based on the commission amount received. This conflict is mitigated by the fact that IARs of Legacy have a fiduciary responsibility to place the best interest of the client first and the clients are not required to purchase any products. Clients have the option to purchase these products through another insurance agent of their choosing.

From time to time, Legacy may provide advice or consulting services with respect to estate planning as part of a Client's overall financial plan.

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

The Investment Advisers Act of 1940 ("The Act") imposes a fiduciary duty on investment advisers. As a fiduciary, Legacy has a duty of utmost good faith to act solely in the best interests of our Clients. Our Clients entrust us with their money and financial future, which in turn places a high

standard on our conduct and integrity. Our fiduciary duty compels all employees to act with the utmost integrity in all our dealings. This fiduciary duty is the core principle underlying this Code of Ethics and Personal Trading Policy, represents the expected basis of all our dealings with our Clients and is reviewed annually with all Legacy employees. For a complete copy of the Code, please contact Tom Menzel at 952-893-5555.

The Code of Ethics adopted by Legacy consists of the following core principles:

1. The interests of Clients will be placed ahead of the firm's or any employee's own investment interests.
2. Employees are expected to conduct their personal securities transactions in accordance with the firm's Personal Trading Policy and will strive to avoid any actual or perceived conflict of interest with Clients.
3. Employees will not take inappropriate advantage of their position within the firm.
4. Employees are expected to act in the best interest of each of our Clients.
5. Employees are expected to comply with all applicable securities laws.

As a fiduciary, Legacy has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its Clients. Compliance with this duty can be achieved by trying to avoid conflicts of interest and by fully disclosing all material facts concerning any conflict that does arise with respect to any Client. As well, Legacy does not execute cross transactions between Clients.

*Conflicts among Client Interests.* Conflicts of interest may arise where Legacy or its employees have reason to favor the interests of one Client over another Client (e.g., larger accounts over smaller accounts, accounts in which employees have made material personal investments, accounts of close friends or relatives of employees). Favoritism of one group of Clients over another is prohibited under the Code.

*Competing with Client Trades.* The Code prohibits Legacy employees from using knowledge about pending or currently considered securities transactions for Clients to profit personally, directly, or indirectly, because of such transactions, including by purchasing or selling such securities.

*Disclosure of Personal Interest.* Legacy employees are prohibited from recommending, implementing, or considering any securities transaction for a Client without first disclosing any

material beneficial ownership, business or personal relationship, or other material interest in the issuer or its affiliates to Legacy's Chief Compliance Officer. If the Chief Compliance Officer deems the disclosed interest to present a material conflict, the employee may not participate in any decision-making process regarding the securities of that issuer. Legacy does not execute cross transactions in client accounts.

All information concerning the identity of security holdings and financial circumstances of all Legacy Clients (both current and former) or prospective Clients is confidential.

## **Item 12 – Brokerage Practices**

In general, Legacy will recommend the use of Schwab or Private Money Managers to Clients for implementation of financial planning recommendations, provided that this recommendation is consistent with Legacy's fiduciary duty to the Client. Legacy chooses the investment(s) and/or the trading platform based on the skills, reputation, and dependability of the firm. It is not based upon any financial arrangement between Legacy and the recommended broker. Any commissions or other compensation received from the implementation of financial planning recommendations is separate and distinct from Legacy's advisory fee. No financial planning Client is obligated to use Schwab or a Private Money Manager to implement any recommended transactions and Legacy handles the implementation of a Client's financial plan on a non-discretionary basis.

Schwab provides Legacy with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them, so long as a minimum amount of the advisor's Client's assets are maintained in accounts at Schwab Advisor Services. These services are not contingent upon Legacy committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Legacy's Client accounts maintained at Schwab, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other

transaction related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Advisor Services also makes available to Legacy other products and services that benefit Legacy but may not directly benefit its Client's accounts. Many of these products and services may be used to service all or some substantial number of Legacy's accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist Legacy in managing and administering Client's accounts include software and other technology that (i) provide access to Client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple Client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Legacy's fees from its Client's accounts; and (v) assist with back-office functions, recordkeeping and Client reporting.

Schwab also offers other services intended to help Legacy manage and further develop its business enterprise. These services may include (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third party vendors for the types of services rendered to Legacy. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services. Schwab may also provide other benefits such as educational events or occasional business entertainment of Legacy personnel. In evaluating whether to recommend or require that Client's custody their assets at Schwab, Legacy may consider the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

If the Client chooses to use a Private Money Manager, Legacy may establish an account on the Client's behalf with the money manager their custodian to maintain Client accounts and execute trades as directed by the money manager. Legacy may collect certain financial information regarding Client's and make this information available to the Private Money Managers, as appropriate.

### **Item 13 – Review of Accounts**

Managed accounts are monitored and reviewed at least quarterly by a Legacy principal. Financial and estate plans are reviewed as requested. Accounts not on the Schwab or Private Money Manager platform (referenced above) are reviewed on a quarterly basis, or as stated in the Client agreement.

Managed accounts receive quarterly portfolio evaluation reports from Legacy. All Clients receive accounts statements directly from their qualified custodians, broker/dealers, mutual funds, and other money managers as appropriate. Legacy urges you to carefully review such statements and compare such official custodial records to the reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

Legacy Financial Advisors does not compensate persons or entities for referring Clients to Legacy.

Historically, Legacy staff actively sold insurance products and on occasion may receive trailing commissions on previously written business. Current insurance is minimal. Insurance coverage obtained through Legacy staff agents may be obtained elsewhere, at the client's discretion.

### **Item 15 – Custody**

Custody is a term used to describe the role of the entity that maintains and reports on investment assets held in client accounts. These services are typically provided by brokerage firms or banks. The role of a qualified custodian is highly specialized, independently protecting each client's assets in a role that complements the responsibilities of an advisory firm like Legacy. There are instances where Legacy is deemed to have custody even though the assets are held with a qualified custodian.

Specifically, Legacy has custody because of a limited number of specific client agreements to use client credentials to access outside accounts. In these scenarios, Legacy has an additional obligation to contract with an approved public accounting firm to conduct an external annual surprise exam of these activities.

Aside from these specific situations, Legacy also has custody of assets, in those cases where clients have established third party standing letters of authorization and in those instances where clients have authorized the automatic deduction of periodic advisory fees directly from their account. If clients wish to elect automatic payment of advisory fees from their account, clients must authorize this election in the advisory contract. The qualified custodian remits the fees directly to Legacy and records a debit transaction on each client quarterly account statement.

Clients receive at least quarterly statements from the custodian that holds and maintains their investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the reports provided by Legacy. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

Legacy usually receives discretionary authority from the Client at the outset of an advisory relationship to select the identity, the amount to be invested and the securities to be bought or to make changes in a Client’s portfolio related to the choice of money managers without Client approval. In all cases, however, Legacy exercises such discretion in a manner consistent with the stated investment objectives for the Client account, observing the investment policies, limitations, and restrictions of each Client, which must be provided to Legacy in writing.

Trading in Client accounts will be limited to general securities (stocks and bonds), mutual funds and government securities. Private Money Managers operate with trading discretion as well.

#### **Item 17 – Voting Client Securities**

Recent corporate scandals have created renewed investor interest in corporate governance and have underscored the need for investors to focus on this issue. In response, the Securities and Exchange Commission (“SEC”) adopted new rules on the proxy voting policies and procedures for investment advisers. As part of these new rules, Legacy is required to furnish the Client with this short guide to our proxy voting policies and procedures. For a complete copy, please contact Tom Menzel at 952-893-5555.

Legacy always owes its Clients a duty of care and a duty of loyalty. This means that if granted the authority to vote proxies Legacy must always vote in the Client's best interests – not anyone else's. Legacy must maintain copies of all proxy votes cast on the Client's behalf and will provide the Client with this information upon request. Legacy may choose not to vote some proxies we receive, as it may not be in the Client's best interest for us to do so. Examples of this may be when the administrative burden or expense to do the due diligence on a vote or to cast the vote (i.e., the vote must be cast in person) outweighs the benefits of the proxy request. Legacy will also maintain any memorandum we prepare internally during our research of a particular issue.

Examples of factors that Legacy will consider when voting on matters presented to us by the firms invested in are changes in corporate governance structures; adoption or amendments to compensation plans (including stock options); matters involving social issues or corporate responsibility; or items that may affect the fees that are charged. These, and other factors, will be considered as to how they may affect the Client's investment. For the Client's mutual fund investments, our factors may be different than those already listed, but they will probably include such things as: approval of advisory contracts, distribution plans (i.e., 12b-1 plans), and mergers. For proxies to elect candidates to directorships of a public company or mutual fund, Legacy will vote in favor of the ballot recommendations of the corporation or fund unless Legacy has personal knowledge of a problem or has a direct conflict of interest.

Should Legacy have material conflicts of interest with a particular company or issue presented for vote, Legacy will disclose those to the Client first and receive the Client's approval for our vote on the Client's behalf. If possible, Legacy will provide this in writing; but if time is short (i.e., less than thirty days), Legacy will contact the Client by phone. Legacy will not vote these issues without the Client's prior approval. Currently Legacy is unaware of any conflicts of interest that would be considered material in nature; but of course, this may change as our business continues to grow.

Should the Client wish to retain authority to vote their own proxies, Legacy will arrange to have all proxy solicitations sent to the Client's address of record. Legacy is always available to provide Clients with guidance on these issues.

For those with assets through a Private Money Manager, Client proxies will be directed to the underlying money management firm, and they have authorization to vote proxies issued on the

Client's behalf. Legacy feels these money managers are knowledgeable about the companies they invest in, and as such, will have the necessary expertise to vote.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Legacy's financial condition. Legacy has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding. Legacy does not require or solicit the prepayment of \$1,200, six or more months in advance.