

## INTRODUCTION: USA FINANCIAL SECURITIES CORPORATION

USA Financial Securities Corporation is registered with the Securities and Exchange Commission (SEC) as both a broker-dealer and an investment adviser, a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). Brokerage and investment advisory services and fees differ, and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](http://Investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisors, and investing.

### What Investment Services and Advice can you provide me?

We offer both brokerage and investment advisory services to retail investors.

#### Brokerage

- Our brokerage services include buying and selling securities. If you open a brokerage account, you will pay us a transaction-based fee, generally referred to as a commission, every time you buy or sell an investment.
- You may select investments, or we may recommend investments for your account. You control the investment decision for the purchase or sale of investments within your account.
- We generally do not monitor your account or consider whether any additional recommendations may be appropriate unless you specifically request your financial professional to do so.
- While we have an extensive product offering comparable to most broker-dealers and RIAs, there are some product types or services we do not offer that other firms do. We do not limit your investment selection to proprietary products.
- When acting as your broker, we must act in your best interest and not place our interest ahead of yours when we recommend an investment or an investment strategy involving securities. When we provide any service to you, we must treat you fairly and comply with a number of specific obligations. Unless we agree otherwise, we are not required to monitor your portfolio or investments on an ongoing basis. Our interests can conflict with your interests. When we provide recommendations, we must eliminate these conflicts or tell you about them and, in some cases, reduce them.

#### Advisory

- We are held to a fiduciary standard that covers our entire investment advisor relationship with you. For example, we are required to monitor your portfolio, investment strategy and investments on an ongoing basis. If you open an advisory account, you will pay an on-going asset based fee for our services.
- Our Investment Adviser Representatives will offer you advice on a regular basis, and will discuss your investment goals, design strategies to help achieve those goals, and regularly monitor your account.
- You can choose an account that allows us to buy and sell investments in your account without asking you in advance (a “discretionary account”) or we may give you advice and you decide what investments to buy and sell (a “non-discretionary account”).
- While we have an extensive product offering comparable to most broker-dealers and RIAs, there are some product types or services we do not offer that other firms do. We do not limit your investment selection to proprietary products.
- You may choose an account where a Third Party Registered Investment Adviser is the primary manager of your investment strategy. We will still devote time to monitoring your account, but the third party money manager will focus on buying or selling of your specific investment strategy.
- We provide financial planning services. We help clients set and achieve long-term financial goals through investments, tax planning, asset allocation reviews, risk management analyses, retirement planning, and estate planning.

Generally, if you engage in frequent trading and transactions, or you want account monitoring, an advisory account is less expensive. If you do not engage in frequent trading or you do not want account monitoring, a brokerage account can be less expensive.

For additional information please see [usafinancialsecurities.com/reg-bi](http://usafinancialsecurities.com/reg-bi) and our Form ADV Part 2A Brochure Items 4., and 5., or part 2A, Appendix 1.

### *Conversation Starters - Ask your financial professional:*

- Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?
- How will you choose investments to recommend to me?
- What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?

### What fees will I pay?

#### Transaction Based Fees

You will pay us a fee every time you buy or sell an investment. This fee is commonly called a commission and is based on the specific transaction and not on the value of your account. You will be charged more when there are more trades in your account, and therefore the firm may have an incentive to encourage you to trade often.

With stocks or exchange traded funds, this fee is usually a separate commission. With other investments, such as bonds, this fee might be part of the price you pay for the investment (called a “mark-up” or “mark down”). With mutual funds, this fee (typically called a “load”) reduces the value of your investment.

Some investments, such as mutual funds and variable annuities, impose additional ongoing fees that will reduce the value of your investments over time. These additional fees include custodian fees, mutual fund expenses, management fees, rider fees, mortality and expense charges, contingent deferred sales charges, redemption fees or "surrender charges."

A "surrender charge" is a type of sales charge you must pay if you sell or withdraw money from a variable annuity during the "surrender period"-a set period of time that typically lasts six to eight years after you purchase the annuity. Surrender charges will reduce the value of-and the return on-your investment.

Our fees vary and are negotiable. The amount you pay will depend, for example, on how much you buy or sell, what type of investment you buy or sell, and what kind of account you have with us.

Based on your account and services you want, you may be charged additional fees, clearance fees, execution fees, account maintenance fees, dividend reinvestment fees, mutual fund & SRS exchange fees, purchase or redemption fees, checking stop payment fees, confirmation fees, transfer fees, reorganization fees, safekeeping fees, foreign security fees, wired fund fees, and account inactivity fees.

#### **Asset Based Fees**

You will pay an on-going fee at the end of each quarter based on the value of the cash and investments in your advisory account. The amount paid to USA Financial and your financial professional does not vary based on the type of investments we select on your behalf.

The asset-based fee reduces the value of your account and will be deducted from your account. For some advisory services, called wrap fee programs, the asset-based fee will include most transaction costs and custody services, and as a result wrap fees are typically higher than non-wrap advisory fees. Our fees vary and may be negotiable. The amount you pay will depend, for example, on the services you receive and the amount of assets in your account.

You will also pay fees to a broker-dealer or bank that will hold your assets called a custodial and administrative fee ("C&A Fee") under both pricing structures. However, the C&A Fee is less on a transaction-based pricing platform for the reasons described below. In addition to the C&A Fee, USA Financial Securities' advisers also charge a management fee. Under no circumstances will USA Financial's management fee exceed 2.7%.

For accounts that are not part of the wrap fee program, you will pay a transaction fee when we buy and sell an investment for you. Although transaction fees are usually included in the wrap fee program, sometimes you will pay an additional transaction fee (for investments bought and sold outside the wrap fee program). Paying for a wrap fee program could cost more than separately paying for advice and for transactions if there are infrequent trades in your account. An asset-based fee may cost more than a transaction-based fee, but you may prefer an asset-based fee if you want continuing advice or want someone to make investment decisions for you. You may prefer a wrap fee program if you prefer the certainty of a quarterly fee regardless of the number of transactions you have.

The more assets you have in the advisory account, including cash, the more you will pay us. We therefore have an incentive to increase the assets in your account in order to increase our fees. You pay our fee quarterly even if you do not buy or sell.

Your financial professional may charge a comprehensive planning fee. Financial planning is a comprehensive engagement process whereby your financial adviser analyzes your entire investment portfolio in conjunction with your objectives, risk tolerance and other relevant factors to determine an investment plan. Financial planning fees may be charged in addition to commissions or asset under management fees.

**You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.**

For additional information please see [usafinancialsecurities.com/reg-bi](http://usafinancialsecurities.com/reg-bi), and our Form ADV Part 2A Brochure, Items 5.

#### ***Conversation Starters - Ask your financial professional:***

- Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

#### **What are your legal obligations to me when providing recommendations as my broker dealer, or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

***When we provide you with a recommendation as your broker-dealer or act as your investment adviser***, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interest. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide. Here are some examples of what this means.

### Examples of Ways We Make Money and Conflicts of Interest

Each time your financial professional buys or sells a security on the Pershing platform, we share in the commissions you pay on the transactions executed through Pershing. We also receive revenue from Pershing based on the types of transactions recommended and investments held in your account, including cash held in Pershing's Cash Sweep Vehicles.

USA Financial will earn higher fees, compensation, and other benefits when you invest in a product that we or one of our affiliates advise, manage, or sponsor, such as an advisory account with our affiliated money managers USA Financial Formulas or our affiliated TAMP USA Financial Exchange. In addition, we offer a proprietary Portformulas trading models in our Pershing accounts. As such, we have an incentive to recommend or to invest your assets in those products over third-party products.

USA Financial also receives payments from third party product sponsors and managers or their affiliates when we recommend or sell certain products. This includes 12b-1 fees (only on brokerage accounts), marketing fees, servicing fees, distribution fees, cash-sweep revenue (only on brokerage accounts), and other trail compensation. As such, we have an incentive to recommend or to invest your assets in products of third parties that pay us over products of third parties that do not pay us or pay us less.

We also wholesale certain variable annuities. Currently, we wholesale variable annuities for Allianz and Lincoln Financial Group. This creates a conflict of interest because we get paid more when you purchase these annuities compared to others we do not wholesale. Therefore, we have an incentive to recommend these annuities to you over others.

Some managers and product sponsors, including our affiliated advisors, USA Financial Formulas and USA Financial Exchange, share the revenue they earn when you invest in certain of their investment products with us as the referring RIA. As such, we have an incentive to recommend or to invest your assets in products of sponsors and managers that share their revenue with us, over other products of sponsors or managers that do not share their revenue, or who share less.

We do not engage in principal transactions. We will continue to identify conflicts and, where appropriate, material limitations placed on the investment product or strategy and any conflicts associated with such limitations and make necessary disclosures as required by our conflicts of interest policy.

### How do your financial professionals make money?

On brokerage accounts, our financial professionals are paid a commission. On advisory accounts, they are paid an asset-based fee.

Your financial professional's compensation is based on a variety of factors, that include the amount of assets serviced, the products or programs offered, the complexity of your needs, and the time required to service your accounts or financial plan. We do not use compensation structure or thresholds that permit your financial professional to increase their compensation by selling specific products.

Compensation is based on the amount of assets you invest, the share class you select, and the product type you choose. USA Financial has also created the Adviser Legacy Program, that includes the Advisor SHARES program. Advisor SHARES grants ownership interest to USA Financial's qualified financial professionals based on revenue submitted to USA Financial. This program is an incentive for advisers to move to USA Financial and place business with our firm.

When your financial professional acts as a broker, she is paid a commission. When your financial professional acts as an investment adviser representative of the firm, he or she is paid a percentage that is based upon the value of the assets in your account. In addition, your financial professional may earn fees for financial planning services. In some circumstances, your financial professional has the opportunity to receive "noncash compensation" in the form of travel-related costs for educational conferences and due diligence meetings from investment companies, direct participation program sponsors, or issuers of variable insurance. This creates a conflict of interest because it provides a financial incentive to recommend invest products that offer this form of additional compensation over those that do not.

For additional information, please see [usafinancialsecurities.com/reg-bi](http://usafinancialsecurities.com/reg-bi) and our Brochure Item 4 and 5.

### Conversation Starters - Ask your financial professional:

- How might your conflicts of interest affect me, and how will you address them?

### Do you or your financial professionals have legal or disciplinary history?

Yes, USA Financial has an administrative disciplinary event on its record unrelated to client investments or transactions. Also, on August 3, 2021, USA Financial agreed to a settlement with the SEC. Beginning in 2019, the SEC's Enforcement Division began a national "sweep" investigation with respect to various types of revenue-sharing arrangement in the securities industry, including commonly used "sweep" programs for clients' short-term cash management. Our clearing firm, Pershing, provides cash sweep arrangements to investors through our firm. Many clients elect to participate in Pershing's "Choice Plus" cash sweep program to hold their cash balances awaiting investment or disbursement in Money Market Funds ("MMFs"). We were included in the SEC's investigation into these arrangements and fully cooperated with the SEC's requests for information. Pershing never provided USA Financial with a non-revenue sharing Choice Plus option. We felt that the cash sweep option was in our clients' best interests because unlike non-Choice Plus MMFs, the Choice Plus MMFs had no MMF brokerage fees or ticket charges – a

critical cost-saving feature for short-term cash management holdings. Pershing assured our firm that their revenue sharing payments would not affect investors' returns. So we chose to participate because we believed those MMFs were more advantageous to investors. Our advisers and clients have always been free to pick different MMFs by simply specifying their choices on account forms. We never paid revenue share to our adviser nor informed them that we received revenue so that their recommendations were not conflicted. While revenue sharing arrangements are common in the securities industry and are not prohibited by law, the SEC was concerned that receipt of this compensation created a conflict of interest that we had not adequately disclosed. So, we amended and amplified our revenue sharing disclosures. Further, to fully resolve the SEC's concerns, and without admitting or denying the SEC's allegations, we agreed to the Order's settlement. You can find the Order here: (<https://www.sec.gov/litigation/admin/2021/34-92553.pdf>).

Some of our financial professionals also have legal or disciplinary histories. Visit [Investor.gov/CRS](https://investor.gov/CRS) for a free and simple search tool to research us and our financial professionals.

### *Conversation Starters - Ask your financial professional:*

- As a financial professional do you have any disciplinary history? For what type of conduct?

## **Additional Information**

For additional information see our website [usafinancialsecurities.com/reg-bi](https://usafinancialsecurities.com/reg-bi), or our [Brochure](#) and any individual brochure supplement your representative provides.

Your primary contact regarding your USA Financial Securities account is your investment adviser representative. If you have any questions or want another copy of this Client Relationship Summary. You may reach our Chief Compliance Officer, Andrea McGrew, at (888) 444-0125 or email at [regbi@usafinancial.com](mailto:regbi@usafinancial.com) and we will promptly address your concerns.

### *Conversation Starters - Ask your financial professional:*

- Who is my primary contact person? Is he or she a representative of an investment adviser or broker-dealer? Who can I talk to if I have concerns about how this person is treating me?