

Bates Securities, Inc.
Bates Financial Advisors, Inc.
June 30, 2020

Client Relationship Summary

Bates Securities, Inc. is registered with the Securities and Exchange Commission and Financial Industry Regulatory Authority (FINRA) as a broker-dealer and is a member of Securities Investor Protection Corporation (SIPC) and Municipal Securities Rulemaking Board (MSRB). We are also affiliated with Bates Financial Advisors, Inc., who is registered with the Securities and Exchange Commission as an investment adviser. Brokerage and investment advisory services and fees differ and it is important for you, our client, to understand the differences.

This document is a summary of the services and fees we offer to “retail investors”, which are natural persons who seek or receive services primarily for personal, family, or household purposes. Additionally, free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/crs), [<https://www.investor.gov/crs>], which also provides educational materials about broker-dealers, investment advisers, and investing.

What investment services and advice can you provide me?

- As a broker-dealer, we offer **brokerage services** that include buying and selling securities. The securities we can offer and recommend to you are limited to investment accounts being held directly with the investment sponsor, specifically mutual funds, 529 College Savings Plans, variable life insurance and variable annuities.
- As an investment adviser, we offer **investment advisory services** where we provide: Financial Planning Services, Portfolio Management Services and Advisory Consulting Services.

Account Monitoring:

- **Brokerage Services:** We do not provide account monitoring services for your brokerage accounts. Your financial professional may voluntarily review account holdings from time to time however these reviews are not an account monitoring service. If you prefer on-going monitoring of your account(s) or investments, you should speak with a financial advisor about whether an advisory services relationship is more appropriate for you.
- **Advisory Services:** When you open an investment account with our firm, as part of our standard service we will monitor your investments on an annual basis or more often as circumstances dictate.

Investment Authority:

- **Brokerage Services:** You make the ultimate decision regarding the purchase and sale of investments in your brokerage investment account(s).
- **Advisory Services:** We manage investment accounts on a *discretionary* basis whereby **we will decide** which investments to buy or sell for your account. We have discretion to select, retain or replace third-party managers to manage your accounts. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing. We also offer *non-discretionary* investment management services whereby we will provide advice, however *you will ultimately decide* which investments to buy and sell for your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

Investment Offerings:

- **Brokerage Services:** We offer the following types of investments or products: Municipal securities limited to only 529 College Savings Plans, variable life insurance, variable annuities, and mutual fund shares held directly with the investment sponsor.
- **Advisory Services:** We offer advice on, however, not limited to the following types of investments or products: Mutual fund shares, money market funds and exchange traded funds (ETFs).

Account Minimums and Requirements:

- **Brokerage Services:** We do not require a minimum dollar amount to open and maintain a brokerage account. However, some investment products may have investment minimums.
- **Advisory Services:** In general, we require a minimum of \$100,000 in assets to open and maintain an advisory account, which may be waived at our discretion.

Key Questions to 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?

The principal fees and costs associated with engaging our firm for broker-dealer services include: Commissions and securities transaction charges which are typically charged at the time a transaction is executed. The more transactions you place, the more commission we earn thus, we might have an incentive to encourage more transactions.

The principal fees and costs associated with engaging our firm for investment advisory services include:

- **Asset Based Fees** – are payable quarterly in arrears. Since the fees we receive are asset-based (i.e. based on the value of your account), we have an incentive to increase your account value which creates a conflict especially for those accounts holding illiquid or hard-to-value assets;
- **Financial Planning Fees** – are payable quarterly in arrears. Our Financial Planning fees are calculated and charged on an hourly basis or a fixed fee basis, depending on the specific arrangement with the investor; and
- **Advisory Consulting Fees** – are payable quarterly in arrears. Our Advisory Consulting fees are calculated and charged on an hourly basis and subject to the specific arrangement with each investor.

In addition to our principal fees and costs for brokerage and advisory services, there are other common fees and costs that maybe applicable to our clients that include:

- Custodian fees;
- Account maintenance fees;
- Fees related to mutual funds and exchange-traded funds;
- Transaction charges when purchasing or selling securities; and
- Other product-level fees associated with your investments

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 detailed information about our fees and charges, refer to additional disclosures on our website <http://batesfinancialadvisors.com/page/1035/terms-of-service> and refer to our Form ADV Part 2A Brochure, Items 5 and 6 by clicking this link <https://adviserinfo.sec.gov/firm/brochure/116515>.

Key Question to 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 acting 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 interests. You should understand and ask us about these conflicts because they can affect the recommendations we provide you. Here are some examples to help you understand what this means.

- **Third-Party Payments:** Some financial professionals providing advisory services on behalf of our advisory firm, Bates Financial Advisors, Inc, can also be registered representatives with our broker-dealer firm, Bates Securities, Inc. These registered representatives receive compensation in connection with the purchase and sale of securities or other investment products within a brokerage account. Compensation earned by these registered representatives is commission-based and is separate and in addition to our advisory fees. This practice presents a conflict of interest because they have an incentive to recommend investment products based on the compensation they receive.
- **Third-Party Payments:** Some financial professionals providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products. Insurance commissions are separate and in addition to our advisory fees. This practice presents a conflict of interest because they have an incentive to recommend insurance products to you for the purpose of generating commissions.

Refer to the additional disclosures on our website <http://batesfinancialadvisors.com/page/1035/terms-of-service> and our Form ADV Part 2A Brochure by clicking this link <https://adviserinfo.sec.gov/firm/brochure/116515> to help you understand what conflicts exist.

Key Question to Ask Your Financial Professional

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

How do your financial professionals make money?

The financial professionals providing **brokerage account services** to you are compensated based on commissions earned in connection with the purchase and sale of securities and a salary. Compensation earned by a financial professional presents a conflict of interest because the more they sell, the more they can earn.

The financial professionals providing **investment advisory services** are compensated in the following ways: Percentage of advisory fees which are based on the amount of the investors assets they service, hourly or fixed fees based on the time required to meet an investor's needs, and a salary.

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

Yes, our firm or our financial professionals currently have legal or disciplinary history to disclose. These events are disclosed in either our Form ADV or the specific individual's Form U4. These documents can be found by going to [Investor.gov/CRS](https://investor.gov/crs). [<https://investor.gov/crs>].

Key Questions to Ask Your Financial Professional

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

You can find additional information about our brokerage and/or investment advisory services and request a copy of the Relationship Summary at 815-332-4020 or by clicking on the following link <http://batesfinancialadvisors.com/page/1035/terms-of-service>.

Key Questions to Ask Your Financial Professional

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