

Firm Brochure
(Part 2A & Part 2B of Form ADV)

Millenium Financial Services

A Registered Investment Advisor

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This brochure provides information about the qualifications and business practices of Millenium Financial Services. If you have any questions about the contents of this brochure, please contact us at: 508-647-8316, or by email at: rkarlen@mill-financial.com. 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 Millenium Financial Services is available on the SEC's website at www.adviserinfo.sec.gov

January 1, 2017

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 508-647-8316 or by email at: rkarlen@mill-financial.com.

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Advisory Business

Firm Description

Millenium Financial Services, (“MFS”) is a Registered Investment Advisor founded in 1999.

MFS provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

MFS is a fee-only financial planning and investment management firm. The firm does not sell products for commissions. The firm’s president, Richard Karlen may sell insurance products for sales commissions. Such products may include Life, Health, Disability Income & Long Term Care Insurance.

Investment advice is an integral part of financial planning. In addition, MFS advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

Investment advice is provided, with the client making the final decision on investment selection. MFS does not act as a custodian of client assets. The client always maintains asset control. MFS places trades for clients under a limited power of attorney.

MFS is independent and does not have any affiliation or obligation to any financial products, services or entities.

Written evaluation of each client's initial situation may be provided to the client. Periodic reviews are communicated to provide reminders of the specific courses of action that may need to be taken.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) may be engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur. MFS does accept compensation from any professionals it may use or recommend to clients.

Initial client consultations are free of charge and are considered exploratory interviews to determine the extent to which financial planning and investment management may be beneficial to the client.

Principal Owners

Richard B. Karlen is the sole owner of Millenium Financial Services.

Types of Advisory Services

MFS provides investment supervisory services, also known as asset management services. MFS may issue periodicals about securities by subscription, special reports about securities, charts, graphs, formulas, or other devices which clients may use to evaluate securities.

On more than an occasional basis, MFS furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

All assets are managed on a Non-Discretionary basis.

Types of Agreements

The following agreements define the typical client relationships.

Financial Planning Agreement

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The hourly financial planning fee is \$150.

Asset Management Advisory Service Agreement

Clients choosing to have MFS manage their assets engage MFS via an Investment Advisory Agreement. Annualized asset management fees range from .5% - 2% depending upon portfolio size and asset management complexity. Fees are *negotiable*. Current client relationships may exist where the fees are higher or lower than the fees charged for the client.

Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an

Agreement by written notice to the other party. At termination, fees will be billed based on portfolio valuation at time of termination.

Asset Management

Assets can be invested in no-load or low-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account. The brokerage firm charges a fee for stock and bond trades. MFS does not receive any compensation from fund companies.

Investments include but may not be limited to: stocks, corporate bonds, municipal bonds, U.S. Government Securities, certificate of deposits, commercial paper exchange traded funds, mutual funds, interests in partnerships and real estate.

MFS does not allow accounts on Margin or Options.

Initial public offerings (IPOs) are not available through MFS.

Termination of Agreement

A Client may terminate any of the aforementioned agreements at any time by notifying MFS in writing and paying the rate for the time spent on the investment advisory engagement up to notification of termination.

MFS may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, MFS will refund any unearned portion of the advance payment.

Fees and Compensation

Description

MFS bases its fees on a percentage of assets under management and hourly charges. Some *Retainer Agreements* may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are *negotiable*.

Fee Billing

Investment management fees are billed quarterly, in *ARREARS*, meaning that we invoice you *AFTER* the three-month billing period has *ENDED*. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed 50% in advance, with the balance due upon delivery of the financial plan.

Other Fees

Custodians may charge transaction fees on purchases or sales of certain securities including stocks, bonds, mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

MFS, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

New Advisory Service Agreement fees are a mutually agreed upon flat fee of assets under management.

Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to MFS.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Past Due Accounts and Termination of Agreement

MFS reserves the right to stop work on any account that is more than 35 days overdue. In addition, MFS reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in MFS's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

Performance-Based Fees

Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

MFS does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

Types of Clients

Description

MFS generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

Account Minimums

MFS does not adhere to account minimums.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that MFS may use include Morningstar, resources offered by the firms custodian TD Ameritrade and the World Wide Web.

Investment Strategies

The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and sector rotation. This means that we primarily

use passively-managed index and exchange-traded funds as the core investments, and then add actively-managed and sector exchange traded funds and individual stocks where MFS believes there may be greater opportunities to enhance performance. Portfolios are globally diversified to control the risk associated with traditional markets. For fixed income, MFS predominately uses individual issues vs. bond funds.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Other strategies may include long-term purchases, short-term purchases, and trading. MFS does engage in short sales, margin transactions, or option writing.

Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from

a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Information

Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

MFS is Not registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor.

Affiliations

MFS uses TD Ameritrade, a securities brokerage (and broker/dealer) firm to custody client assets.

Participation or Interest in Client Transactions and Personal Trading

Participation or Interest in Client Transactions

MFS and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the *MFS Compliance Manual*.

Personal Trading

The Chief Compliance Officer of MFS is Richard Karlen. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small

mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

Brokerage Practices

Selecting Brokerage Firms

MFS uses TD Ameritrade to custody its client accounts and assets.

MFS *DOES NOT* receive any compensation, fees or commissions from its custodial arrangement with TD Ameritrade.

Review of Accounts

Periodic Reviews

Account reviews are performed quarterly by Richard Karlen. Account reviews are performed more frequently when market conditions dictate.

Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

Regular Reports

Clients receive quarterly in-house produced portfolio performance reports as produced by MFS. Clients still receive their regular account reports from TD Ameritrade. Clients have the ability to tie in-house reporting valuations to their TD Ameritrade client account statements.

Client Referrals and Other Compensation

Incoming Referrals

MFS has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

Referrals Out

MFS does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Custody

Account Statements

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly.

Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by MFS.

Investment Discretion

Discretionary Authority for Trading

MFS does not have discretionary authority to manage securities accounts on behalf of clients. MFS does not have the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. MFS consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the commission rates paid to the custodian. MFS does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved.

Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

Voting Client Securities

Proxy Votes

MFS does not vote proxies on securities. Clients are expected to vote their own proxies.

Financial Information

Financial Condition

MFS does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because MFS does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$600 per client, and six months or more in advance.

Business Continuity Plan

General

MFS has a Business Continuity Plan in place that provides steps to mitigate and recover from the loss of office space, communications and internet services.

Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, Internet outage, etc. Electronic files are backed up on a regular basis and archived offsite.

Alternate Offices

MFS does not have any alternate offices.

Loss of Key Personnel

MFS is owned and operated by Richard Karlen. Loss of Mr. Karlen would result in each client gaining control of their account directly from TD Ameritrade. MFS has no agreement with another financial advisory firm to support MFS in the event of Richard Karlen's serious disability or death.

Information Security Program

Information Security

MFS maintains information security programs to reduce the risk that your personal and confidential information may be breached.

Privacy Notice

MFS is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure, security alarmed office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, data encryption techniques and authentication procedures in our computer systems.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

MFS seeks advisors that can demonstrate knowledge of financial planning, investments and insurance. Examples of coursework MFS seeks in its employees include: an MBA, a CFP®, a CFA, a ChFC, CLU, CASL or CPA. Additionally, advisors should have work experience that demonstrates their aptitude for financial planning and investment management.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Chartered Financial Consultant (ChFC): Licensed through the American College, the Chartered Financial Consultant® (ChFC) designation program focuses on the comprehensive financial planning process as an organized way to collect and analyze information on a client's total financial situation; to identify and establish specific financial goals; and to formulate, implement, and monitor a comprehensive plan to achieve those goals. The ChFC program provides financial planners and others in the financial services industry with in-depth knowledge of the skills needed to perform comprehensive financial planning for their clients.

ChFC certification requirements:

- Bachelor's degree from an accredited college or university.
- American College education requirements include completion of nine courses, each course requiring between 50-70 hours of study.
- Candidates must meet experience requirements and ethical standards, including three years of business experience immediately preceding the date of use of the designation.
- Successful completion of the ChFC Certification Exam.
- 30 hours of continuing education every 2 years.

Chartered Life Underwriter (CLU): Licensed through the American College, The Chartered Life Underwriter® (CLU) designation is the professional credential for persons involved in the protection, accumulation, preservation, and distribution of the economic values of human life.

CLU certification requirements:

- Bachelor's degree from an accredited college or university.
- American College education requirements include completion of eight courses, each course requiring between 50-70 hours of study.
- Candidates must meet experience requirements and ethical standards, including three years of business experience immediately preceding the date of use of the designation.
- Successful completion of the CLU Certification Exam.
- 30 hours of continuing education every 2 years.

Chartered Advisor for Senior Living (CASL): Licensed through the American College, the Chartered Advisor for Senior Living (CASL) designation is the professional credential for persons working with the unique needs of senior clients. This designation provides advisors with the comprehensive skills to address the main concerns of this demographic, covering such items as financial, health, psychological and sociological issues.

CASL certification requirements:

- Bachelor's degree from an accredited college or university.
- American College education requirements include completion of five courses, each course requiring between 50-70 hours of study.
- Candidates must meet experience requirements and ethical standards, including three years of business experience immediately preceding the date of use of the designation.
- Successful completion of the CASL Certification Exam.
- 15 hours of continuing education every 2 years.

Richard Karlen, President of MFS, MBA, ChFC, CLU, CASL**Personal Background:**

- Born: Brooklyn, NY - 1963
- Daughters: Melissa (1989) & Monica (1991)

Education:

- Graduated Blind Brook High School - 1981
- Graduated Northeastern University – BS in Business Admin – 1986
- Graduated Northeastern University – MBA in Finance - 1986

Professional Designations:

- Chartered Financial Consultant (ChFC) - 2002
- Chartered Life Underwriter (CLU) - 2004
- Chartered Advisor to Senior Living (CASL) - 2009

Business Experience:

- 1998 – Present: Millenium Financial Services, Natick, MA – Pres.
- 1994 – 1998: Essex Securities, Danvers, MA – Registered Rep.
- 1986 – 1994: Mass. Financial Services, Boston, MA – Corp Acctg

Other Business Activities: Richard Karlen is licensed to sell insurance products including Life, Health, Disability and Long Term Care. These products are sold on commissions paid by the insurance companies. Mr. Karlen is independent and is not in the employ of any specific insurance company.

Additional Compensation: Insurance Commissions.

Disciplinary Information: None

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None