

# Key Investment Services LLC

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February 22, 2021

## **FORM ADV PART 2A**

### **FINANCIAL PLANNING**

#### NOTICES TO ADVISORY CLIENTS

**This brochure provides information about the qualifications and business practices of Key Investment Services LLC (“KIS”). If you have any questions about the contents of this brochure, please contact us at 888-547-2968. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about KIS also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**KIS is a registered investment adviser with the SEC. Registration does not imply a certain level of skill or training.**

Pershing LLC (“Pershing”) acts as a qualified custodian for all KIS advisory account assets. You can contact Pershing at the following address:

Pershing LLC  
One Pershing Place  
Jersey City, New Jersey 07399

Investment products are offered through KIS, member FINRA/SIPC and carried by Pershing, member FINRA/NYSE/SIPC. Insurance products are offered through KeyCorp Insurance Agency USA Inc. (“KIA”). KIS and KIA are affiliated with KeyBank National Association (“KeyBank”). KIS, KIA and KeyBank are separate entities, and when you buy or sell securities and insurance products you are doing business with KIS and/or KIA, and not KeyBank.

Investment and insurance products made available through KIS and KIA are:

<b>NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL OR STATE GOVERNMENT AGENCY</b>
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## Item 2 Material Changes

The following material changes pertinent to the provision of Key Investment Services LLC's Financial Planning Program have occurred since the annual update of its brochure on March 3, 2020:

Effective March 31, 2021, KIS will terminate its relationship with the Envestnet platform.

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## Item 4 Advisory Business

Key Investment Services LLC (“KIS”) offers the investment advisory services listed in this brochure. KIS may from time-to-time refine its investment advisory product and service offerings and introduce new products and services as part of its continuous efforts to meet the investment needs of its Clients, respond to changing markets and take advantage of recent technological or other innovations. In addition, from time to time, acquisitions or new business relationships may contribute new product and service offerings.

KIS, through its financial professionals, provides its Clients with financial planning services for various purposes, including the following:

- Asset Allocation
- Education
- Retirement
- Other Accumulation Goals (such as a vacation house purchase)
- Life, Annuity and Long-Term Care Protection

KIS offers its financial planning services using one or more computer software programs, including, but not limited to, MoneyGuidePro™. MoneyGuidePro™ is a product of PIEtech, Inc. a subsidiary of Envestnet, Inc. Envestnet, Inc.’s subsidiary, Envestnet Asset Management, Inc. is a money manager for KIS’s advisory program. Effective March 31, 2021, KIS will terminate its relationship with Envestnet as a money manager. For further information please see KIS’s Form ADV Part 2A Appendix 1.

The Client provides personal financial and other relevant information and goals which the computer program uses to generate a customized financial plan for the Client. Projections or other information generated through the computer software regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. There can be no assurance that the projected or simulated results will be achieved or sustained.

As part of its financial planning services, KIS may or may not render advice as to the purchase of securities, and may offer life, annuity, or long-term care insurance through its affiliated insurance agency, KeyCorp Insurance Agency USA Inc. (“KIA”). KIS financial professionals do not receive referral fees from the products and services selected to implement a financial plan but may receive a portion of any: 1) investment management fees paid to KIS if the financial planning Client opens an investment advisory account at KIS and/or 2) commissions for securities or insurance, or other sales charges paid if any of the transactions referenced in the financial plan are carried out by KIS as broker-dealer or KIA as an insurance agency. KIS may receive compensation from unaffiliated entities, such as broker-dealers, investment advisers or insurance agencies, for the referral of Clients to them for their products or services. In addition, if a Client selects KIS or an affiliate as the entity whose products and services will be used to carry out the financial plan’s recommendations, KIS and/or the affiliate will receive customary commissions and fees associated with their products and services. Whether or not KIS or an affiliate is selected as the provider of products and services, all commissions, advisory or other fees and charges incurred by Client are the Client’s sole responsibility.

In addition, KIS offers wrap accounts which contain certain model based and other managed portfolios in investment advisory accounts which establish a brokerage account at KIS’s clearing broker, Pershing LLC (“Pershing”). These wrap accounts are more fully described in KIS’s Form ADV Part 2A Appendix 1 which provides information about the KIS wrap fee program. Please read that document carefully before investing or to find out further information about products you previously purchased.

In addition to the investment programs and options discussed above, KIS also sponsors the Key Digital Portfolio Advisor<sup>SM</sup> (“Key Digital Program”) which is an on-line lower cost digital advice program offered to any interested investor. For more information about the Key Digital Program, please review the separate KIS Part 2A Appendix 1 of Form ADV for Key Digital Portfolio Advisor<sup>SM</sup>.

As of December 31, 2020, KIS had nondiscretionary Client assets of \$2,946,479,308.

## Item 5 Fees and Compensation

KIS does not charge a fee to create a financial plan through use of the MoneyGuidePro<sup>TM</sup> software program. KIS may, in its sole discretion, institute a separate fee for any portion or all of such services at any time (subject to applicable state and federal securities laws). A KIS financial professional may recommend the purchase of various securities, insurance products, certificates of deposit or wrap fee programs based on the results of the financial planning services described above.

If a KIS financial professional recommends the purchase of a wrap fee or other managed account product, you can find the associated fees and compensation received by KIS in the appropriate Form ADV Part 2A Appendix 1. Wrap fees are normally not reduced by commissions or markups paid by the underlying investment funds or portfolios.

If a KIS financial professional recommends the purchase of mutual funds, unit investment trusts, fixed, indexed or variable annuities, or certificates of deposit, KIS may purchase these investments on behalf of a Client acting in its capacity as a broker-dealer. If KIS acts as a broker or dealer for that transaction, it will receive transaction-based compensation. KIS will receive a commission, placement fee, or other sales charge calculated as a percentage of the purchase price of the asset and will share a portion of such commission received with its financial professional. In addition, KIS or Pershing may receive additional compensation from certain mutual funds or insurers, including 12b-1 fees, shareholder services, training and education payments, revenue sharing payments, payments for operational services and other fees for services provided. Please review the Form ADV Part 2, prospectus or other offering materials of the particular investment that you are planning to purchase or already hold or ask your financial professional for details. In addition, for mutual funds, you can go to [http://tools.finra.org/fund\\_analyzer](http://tools.finra.org/fund_analyzer).

KIS brokerage accounts are carried by Pershing. In connection with opening a brokerage account, a Client may choose to have uninvested cash in their account swept into the Dreyfus Insured Deposit Program (the “Program”) offered through Pershing. Pursuant to this Program, a Client’s excess cash in his/her brokerage account is swept into interest-bearing bank deposit accounts (“Deposit Accounts”) at various depository institutions (“Program Banks”) until Pershing sweeps such cash from the various Program Banks to cover purchases of securities and other debits in the Client’s brokerage account. The Client receives interest on balances held on deposit at the various Program Banks at rates determined and paid by the respective Program Banks in which a Client’s balances are invested. For further information concerning the Program (including the eligibility of deposited funds for FDIC insurance of up to \$250,000 per insurable interest) please read the Dreyfus Insured Deposit Program Disclosure Statement and Terms and Conditions for Single Rate Program which is supplied at account opening or is available on request from a Client’s KIS financial professional.

The FDIC Variable Rate Deposit is an interest-bearing bank deposit account held at KeyBank National Association (“KeyBank”) in the name of Pershing as agent. KeyBank and KIS are owned by the same financial holding company, KeyCorp. The FDIC Variable Rate Deposit is a sweep option for your brokerage account with KIS. You may not write checks or negotiable orders of withdrawal or make deposits

or withdrawals directly at KeyBank against this FDIC Variable Rate Deposit account. All activity regarding this deposit account must be conducted through your KIS brokerage account. All deposits to and withdrawals from this account will be made by Pershing. Information regarding this deposit account, including monthly interest paid, will be included on a Client's periodic brokerage account statement. The FDIC Variable Rate Deposit pays interest at a variable interest rate. For further information please read paragraph 23 of the KIS brokerage account agreement. **This product is not available to wrap fee or other managed account products offered through KIS.**

Commissions and fees provide KIS's primary source of revenue. Receipt of transaction based or fee-based compensation by a KIS financial professional may present a conflict of interest and give incentive to the financial professional to recommend products based on amounts they will be paid and not on what is suitable for the Client. KIS requires all sales of fee-generating products to be approved by a centralized supervisory unit which it calls its Central Supervision Group. These supervisory principals review all recommended sales to ensure that the sale is suitable for the Client. In addition, KIS has written supervisory procedures in place which require any financial professional to recommend only suitable investments in securities or other financial products that are in the Client's best interest.

KIS financial professionals are required to be licensed to sell securities, insurance and advisory products. Some may have further training or designations by various organizations, but such is not required by KIS.

## Item 6 Performance Based Fees and Side by Side Management

Neither KIS nor any of its supervised persons receives performance-based fees.

## Item 7 Types of Clients

KIS provides its financial planning services to individuals.

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

KIS uses a computer software program known as MoneyGuidePro™ to assist in the development of financial plans. MoneyGuidePro™ offers various methods of calculating hypothetical results, each of which provides one outcome from a wide range of possible outcomes, in planning for retirement, asset allocation, education, and long-term care and disability needs. Clients should be aware that any computer software program bases its results on certain assumptions concerning a Client's earnings, assumed rates of return on investments, assumed inflation rate and other economic and financial factors. If actual results are different from any of these assumptions, the financial plan's performance could be materially different from what was forecast. There can be no assurance that the projected or simulated results will be achieved or sustained. Clients should be aware that the potential for loss (or gain) may be greater than demonstrated in the simulation or as presented in the financial plan. Clients should contact their KIS financial professional if any significant change occurs in their financial situation or objectives because such changes may affect the assumptions used by the computer software programs and cause the plan previously produced to no longer be suitable.

In formulating investment advice given, KIS financial professionals act as either registered representatives or investment advisory representatives. Accordingly, they will only recommend purchases which are

suitable for and in the best interest of the Client given their age, investment experience, risk tolerance, tax status and other information provided to KIS. As with any investment program the Client must be prepared to bear the risk of loss of part or all of the principal invested.

## Item 9 Disciplinary History

There are no legal or disciplinary events to report that would be material to a Client's evaluation of KIS or the integrity of its management other than the following:

On December 5, 2019, KIS entered into a Letter of Acceptance, Waiver and Consent ("AWC") to conclude an investigation by the Financial Industry Regulatory Authority, Inc. ("FINRA") with respect to the firm's broker-dealer operations. Without admitting or denying the findings, KIS consented to: a censure; a fine of \$425,000; restitution to certain customers of \$589,221.66; disgorgement to certain customers of \$134,169.40; and certify within 120 days in writing to FINRA that it has implemented supervisory systems and written supervisory procedures reasonably designed to address each of the areas of conduct identified. The findings stated among other things that: (1) between November 2010 and June 2014, KIS failed to establish and maintain supervisory systems and procedures that were reasonably designed to achieve compliance with its suitability obligations when recommending certain unit investment trusts ("UIT") which invested in leveraged closed-end funds, including to provide reasonable guidance or training to its registered representatives and supervisors about the potential risks and volatility of these products; although the firm manually reviewed these transactions, it failed to identify or follow up on red flags in approximately 100 recommended purchases of UITs that raised suitability concerns due to the customers' risk tolerance and investment profile; and, the firm has since undertaken significant efforts to address the supervisory and operational issues that FINRA raised during its investigation, including independently retaining compliance and product consultants; (2) between July 2012 and June 2014, KIS failed to enforce its supervisory procedures that required the collection and documentation of customer-specific suitability factors on account update forms when making new recommendations of securities to existing customers; and the firm addressed the issue by authorizing registered representatives to enter account update information directly into the firm's system with confirmations sent to the customers, and among other things, by blocking newly solicited trades until the account update form had been obtained or the information had been otherwise entered into the system; and (3) between November 2010 and October 2013, KIS provided inaccurate information to customers in approximately 189 switch disclosure letters ("SDL") regarding the sales charges, costs, and expenses of the UITs; although the firm also provided the customers a copy of the prospectus for the UITs which included a fee table, the inaccurate information on the SDL potentially confused certain customers by making switching into the new UIT appear more financially advantageous; the firm's compliance department identified through its surveillance that SDLs were not always disclosing completely or accurately the fees on UIT switches, it issued guidance to its sales force including regarding the calculation of fees which reduced but did not eliminate the exception rates previously identified; and the firm corrected the problem when it eliminated the manual estimation and transcription of sales charges and/or expenses and instead attached to the SDL a copy of the fee table from the UIT prospectus.

On January 27, 2016, KIS entered into an AWC to conclude an investigation by FINRA. Without admitting or denying FINRA's findings, KIS consented to a censure, a fine of \$100,000, restitution of \$100,247.02, and to FINRA's findings that KIS, in its broker-dealer operations, failed to identify and apply sales charge discounts to certain clients' eligible purchases of UITs resulting in clients paying excessive sales charges of approximately \$95,254.34. The AWC included a finding that KIS had already paid restitution to all affected clients in addition to interest of \$4,992.68. The AWC also included a finding that, with respect to price discounts for UIT rollover transactions, KIS failed to establish, maintain and enforce a supervisory

system and written supervisory procedures reasonably designed so that clients received rollover discounts on all eligible unit investment trust purchases.

## Item 10 Other Financial Activities and Affiliations

KIS is an indirect wholly-owned subsidiary of KeyCorp, one of the nation's largest bank holding companies. KeyCorp owns KIS's parent corporation, KeyBanc Capital Markets Inc. KeyBanc Capital Markets Inc. is a SEC-registered broker-dealer and FINRA member and is KIS's parent corporation on or after July 1, 2019. It provides brokerage services to institutional clients and investment banking services. It provides operational, financial, and compliance services to KIS. It does not provide brokerage or investment management services to KIS, but it may provide such services to certain managers or sub-managers in KIS's advisory program and it may be an underwriter of certain securities held in certain wrap products which KIS makes available to its clients.

KIS's principal business is as an introducing broker-dealer registered with the SEC, a member of FINRA, and various state regulatory bodies. As a broker-dealer, KIS may provide a variety of services (including non-advisory services) and render advice as to the value and/or advisability of purchasing or selling securities, without receiving special compensation and solely incidental to the conduct of its business as a broker-dealer.

KIS also is an SEC-registered investment adviser and in such capacity provides advisory services, including the provision of financial planning services as described in this brochure.

KIS financial professionals may also act as insurance agents for the sale of insurance products and policies that are available through KIA, an affiliated insurance agency. KIS financial professionals may recommend the purchase of insurance products to clients and may receive commissions in connection with such purchases.

Various affiliates of KIS sponsor investment-related limited partnerships and limited liability companies and serve as general partner and manager, respectively, of such entities. KIS does not recommend that its advisory Clients invest in these entities and has no arrangements that are material to its financial planning, broker-dealer or advisory business or its Clients with any of these entities, or with their affiliated sponsors with respect to such entities.

KeyBank offers personal and corporate trust services, personal financial services, financial planning, access to mutual funds, cash management services, and international banking services. KeyBank also provides investment management services to clients that include large corporate and public retirement plans, foundations and endowments, high net worth individuals and Taft-Hartley plans. In addition, KeyBank is a registered municipal advisor. KeyBank provides certain investment due diligence and analysis, adviser support, new product, trading, investment operations and other investment related services to KIS. It also provides certain shared services to KIS including real estate services, payroll and other services.

## Item 11 Code of Ethics

As discussed below, KIS has in place an Investment Advisory Code of Ethics ("Advisory Code of Ethics") that provides for KIS and its financial professionals to exercise their fiduciary duty to Clients to act in the best interest of the Client and always place the Client's interests first and foremost. KIS takes seriously its

compliance and regulatory obligations and requires all staff to comply with such rules and regulations, as well as with KIS' policies and procedures and Advisory Code of Ethics.

The Advisory Code of Ethics contains, among other things, provisions for standards of business conduct to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, reporting requirements for Advisory Code of Ethics violations, and safeguarding of material non-public information about Client transactions.

The Advisory Code of Ethics is distributed to each employee and financial professional at the time of hire/contract, and as it is modified. In addition, KIS requires an annual certification by all financial professionals regarding their understanding and compliance with the Advisory Code of Ethics, as amended. KIS also supplements the Code with annual training and ongoing monitoring of employee activity.

KIS's employees also adhere to KeyCorp's Code of Business Conduct and Ethics. All employees must acknowledge the terms of the KeyCorp Code of Business Conduct and Ethics, as amended, annually.

A copy of KIS's Advisory Code of Ethics will be provided to any Client or prospective Client upon request to our Compliance Department at 1-888-547-2968.

## Item 12 Brokerage Practices

KIS's financial planning service is completed upon delivery of a financial plan to a Client. Clients are under no obligation to implement any recommendation made in a financial plan, and if they choose to implement a recommendation, are not obligated to use KIS to implement it. If a Client chooses to obtain brokerage services through KIS to implement a financial plan, KIS, in its capacity as an introducing broker-dealer, will provide these services through Pershing, its fully disclosed clearing broker. Pershing has responsibility for ensuring best execution when it acts as broker. For purchases of mutual funds, unit investment trusts, fixed, indexed or variable annuities and certificates of deposit, KIS will act as the broker-dealer or introducing broker through Pershing, its fully disclosed clearing broker. Not all advisers place trades through only one broker. This may result in KIS not achieving the most favorable execution of your transactions. This could cost you more for the transaction as a result.

KIS does not permit its Clients to direct brokerage for wrap accounts or recommended purchases. Further, it does not receive any soft dollar payments or benefits for directing brokerage. KIS does not receive brokerage referrals from any non-affiliated broker-dealer. KIS does allow Clients to direct their own brokerage in accounts where it and its financial professionals make no investment recommendations, and investment decisions are the Client's own.

## Item 13 Review of Accounts

**For Wrap Fee Accounts:** A Committee of senior KIS managers reviews KIS's programs on an annual basis to ensure general suitability and that the respective program's investment performance is appropriate. Your KIS financial professional will review your account annually to ensure that it is still a suitable investment for you and is in your best interest.

**For Other Recommended Products:** KIS financial professionals may recommend approved securities, insurance and other products. These are purchased as brokerage products and thus the account is not

reviewed on any regular basis. KIS does not review accounts on a periodic basis where the Client makes their own investment decisions without any recommendation from KIS or its financial professionals.

Review and updating of any financial plan does not occur periodically. It will occur on Client request or when the Client advises the KIS financial professional of a significant change in the Client's financial status.

## Item 14 Client Referrals or Other Compensation

KIS does not receive any compensation from any third party for providing its investment advice (including compensation from sales contests or other prizes). It does receive commissions, fees or other payments previously described for approved securities, insurance or other products which it recommends.

KIS does not pay referral fees to any third party that is not supervised by it. Certain compensation plans which KIS's affiliate, KeyBank, sponsors are discretionary bonus plans. Revenues from KIS may be one of many factors (most of them not securities related). This revenue might be affected by a referral from a non-supervised banker and thus might affect the payout to that banker.

## Item 15 Custody

Wrap fee accounts will have their assets held at Pershing as qualified custodian, which will provide quarterly statements to you. In addition, you may receive performance statements from money managers. Please review these statements carefully.

Other recommended products will have their assets held either directly at the issuer or at Pershing. Either the issuer or Pershing will provide quarterly statements to you. Please review these statements carefully.

## Item 16 Investment Discretion

KIS does not exercise investment discretion over a Client's account. Wrap fee accounts may, however, include programs with discretionary asset managers who determine the investments to be bought and sold in Client accounts, as described in the applicable disclosure document(s) for such programs.

## Item 17 Voting Client Securities

KIS does not vote proxies on behalf of advisory Clients. Clients retain the responsibility for receiving and voting proxies for all securities maintained in Client portfolios. Wrap fee accounts may have their securities voted by either the portfolio manager or discretionary investment advisor. Please see the discretionary investment advisor's respective Form ADV Part 2A for further details.

## Item 18 Financial Information

KIS does not require or solicit prepayment of more than \$1,200 in fees per Client six months or more in advance.

KIS has not filed or been the subject of a bankruptcy petition in the last 10 years.

KIS is not aware of any financial condition that is reasonably likely to impair its ability to meet its financial commitments to its Clients.