SniderAdvisors

Snider Investment Method

OWNER'S MANUAL

In 2002, Snider Advisors opened to help others achieve financial independence through education and support. From the start, the company's mission has been clear: to equip clients with the knowledge and skillset needed to become confident, self-directed investors.

The Snider Investment Method was created by Kim Snider to address the real-world problem of replacing your W2 paycheck with a steady stream of income from your retirement portfolio.

Following a personal financial turning point, Kim dedicated herself to mastering personal finance, economics, and investing. She believed financial literacy and discipline were essential to successful investing. This belief became the foundation of Snider Advisors and the Snider Investment Method.

In 2013, I was entrusted to take over day-to-day operations. Four years later, in 2017, Tyler Curtis and I purchased Snider Advisors from Kim and her husband, Jim Hughes. We have continued with the same innovative approach, relentless commitment to excellence, and passion for helping others.

Sadly, Kim passed away in 2020 after battling early-onset vascular dementia. Her impact, however, lives on in the thousands of investors she inspired and the dedicated team carrying her mission forward.

The Snider Method Owner's Manual was Kim's idea. We have decided to keep the original note she wrote, which has been in this document since its first iteration.

I am delighted you are considering the Snider Investment Method. We wrote what we hope will be a plain-English guide to the Snider Investment Method to give you all the information you need to understand before you start investing with it. Only by having this information can you make an informed decision about whether the Snider Investment Method is appropriate for you or your family.

Warmest Regards,

Kim Snider
Founder, Snider Advisors

Thank you for the opportunity to work with you and be a part of your financial success.

Jesse Anderson, CFA
CEO & Co-Owner, Snider Advisors

Table of Contents

What is the Snider Investment Method?

The Snider Investment Method is a long-term strategy designed to create income from your portfolio. It uses a combination of stock, options and cash, along with specific techniques applied in a specific sequence, to maximize your portfolio's income potential.

The Snider Method has two objectives:

Consistent monthly cash flow.

Our goal is to generate a monthly cash flow as close to 1% of our total investment as possible. We don't select stocks because we think we know the future direction of their price, but rather to use them to generate income.

No permanent loss of capital.

In the Snider Method, you buy fundamentally sound companies you would be willing to own for long periods of time, even if the price declines.

While the rules of the Snider Method prohibit selling stocks at a loss, this does not limit or prevent the accumulation of unrealized losses. Nor does it guarantee that a position will eventually close or that unrealized losses won't persist indefinitely. We are more concerned with the ability to generate an income month after month, not with short-term account values. This can be one of the hardest things for a new Snider Method investor to embrace.

Why does the Snider Method focus on cash flow?

Most traditional investments are based on the concept of capital appreciation. You buy assets, such as shares of stock, and hope they appreciate in value so you can sell them later for a profit. Cash-flow investing works differently. With cash flow, you buy an asset not for its future value but for its ability to generate income. This income gives you flexibility: You can spend it now or you can reinvest it. Cash flow reinvested is compounding growth.

Tell me more about the Snider Method

Before we go further, you should understand a little about our terminology. You will see the term "position" frequently. A position is the collection of trades we make with respect to a single stock. Positions are a good way to understand the Snider Method.

Now let's look at some of the other benefits of the Snider Investment Method:

Reduce costly investment fees when you do it yourself

Professional money managers don't work for free. Most charge management fees and/or a commission. You may choose to use our fee-based Charter asset management services for a fee. However, when you manage your money yourself, you reduce your fees, meaning more money goes in your pocket.

Put your interests first

When you manage your own account, there is no conflict of interest. You don't have to wonder if your advisor is trading against you or recommending products because they offer him the highest commission.

Eliminate the guesswork

You follow a simple checklist that tells you exactly what to do each step of the way, so there's no guesswork. This logic is also programmed into our trading technology, leaving less room for error. Our advisors are experts in our strategy and are happy to offer you guidance. You will never be in doubt about how to manage your Snider Method portfolio.

Keep your emotions in check

Emotions cause most investors to buy high and sell low – the opposite of what you should be doing. When you follow the rules, you avoid making emotionally charged decisions that can wreck your portfolio.

No investment experience required

Our investors vary in financial expertise from seasoned professionals to outright novices who have never bought a stock before. With our emphasis on education, advanced trading technology, and commitment to client support, almost anyone can do it.

Save time

You will trade just one day each month using the Snider Method. We are not Day Traders. You will not need to be tied to a computer every day the market is open to watch your portfolio.

No additional courses needed

You will learn all the information you need in one comprehensive investment course and you won't need to buy any additional courses. You can start using the Snider Method after you complete our online course.

Below is a summary of the risks in the Snider Investment Method. You should understand these risks before committing any funds to this investment:

Market fluctuations

The market value of your account (the amount you would get by selling out of all your positions) will fluctuate up and down. There will often be some unrealized losses in your account until a position closes, and these can be greater than the amount of income you've generated. While the rules of the Snider Method prohibit selling stocks at a loss, this does not limit or prevent the accumulation of unrealized losses. Nor does it guarantee that a position will eventually close or that unrealized losses won't persist indefinitely.

Variability of yields (income)

The monthly yields have been more consistent than stock market returns, but they are not as stable as fixed payments from a bond or CD. We prefer the yield measurement to the total return measurement for this reason. However, yields are not comparable to total returns and the total returns of the Snider Method may be more or less consistent than the total returns of the stock market. Your monthly yield is the sum of the yields from each position in your account. There will always be above-average and below-average positions. Each position can have good and bad months. Some positions can go months without generating income (a situation we call "winter"), and there is a chance you could have most of your positions in winter at the same time. Larger accounts tend to have more stable results because they are in more positions.

Variability of results

Different investors can be in different positions. Thus, your results could be higher or lower than someone else with the same size account over the same time period.

Lack of liquidity

Every time you enter into a new position, an amount (the principal) is allocated to the position until it closes. With each new position, you should expect the principal to be committed for a minimum of two years. You could suffer a permanent loss if you cash out the position before it closes. Please note that two years is just a guideline: not every position will close within two years. While the rules of the Snider Investment Method prohibit selling stocks at a loss, this does not limit or prevent the accumulation of unrealized losses. Nor does it guarantee that a position will eventually close or that unrealized losses won't persist indefinitely.

Bankruptcy

If one of the companies in your portfolio goes bankrupt, losing money is unavoidable.
The Snider Method deals with the risk of bankruptcy by only investing in companies that pass screening tests designed to identify companies with higher risks of bankruptcy. But you cannot completely eliminate this risk when investing in stocks.

The main point is this ...

No investment is perfect. All have pros and cons, including the Snider Method. Every investor and every investor's situation are different. It is up to you to develop a coherent philosophy that makes sense to you? Your job is to be as rational and realistic about the future as possible, plan accordingly and then employ the tools that make the most sense to you in order to actualize your plan.

Who can use the Snider Method?

Anyone who wants to generate portfolio cash flow, now or in the future, can use the Snider Method, provided their brokerage accounts meet certain criteria.

Minimum investment

Each account using the Snider Method needs to have at least $25,000. You cannot aggregate accounts to meet this minimum if they can't be combined (for example, your IRA and your spouse's IRA). The Snider Method cash flow is more efficient as your account gets larger because larger accounts have more positions. When one position is having a bad month, other positions may be having a good month. So, when viewing your account in the aggregate, which is the way all portfolios should be viewed, the good and bad tend to average out. There is also less chance some or all of the positions will be in winter at the same time.

Account restrictions

You can't use the Snider Method in all types of accounts. You will most likely not be able to use the Snider Method if your account limits your investment choices. These include most employer-sponsored plans, 529 plans, and annuities. Most of these investment account types do not give you access to all the different securities needed to use the Snider Method.

You may be a good candidate for the Snider Method if you fit one of the following categories:

- ✓ You have at least $200,000 to invest and you want to draw a stable monthly income now or in the future. If you don't need income yet, you may want to reinvest the yield for growth.
- ✓ You have between $100,000 and $200,000 and you want to draw a monthly income, but you can tolerate fluctuations because you have other sources of income. Again, there is no law that says you have to take the income. You may choose to reinvest the yield for growth.
- ✓ You have at least $25,000 and your objective is growth.

You should also fit the following descriptions:

- ✓ You have a long-term savings goal (at least two years).
- ✓ You are willing to follow the rules of the Snider Method consistently regardless of what your emotions tell you.
- ✓ You are satisfied with the objective of generating 1% a month, regardless of your portfolio's value and market conditions.

You should not use the Snider Method if you fit one of the following categories:

- ✕ You cannot afford to take the risk of one or all of the positions going bankrupt.
- ✕ You need dependable monthly income from an investment of less than $200,000, which won't ever be any bigger.
- ✕ You have a short-term savings goal in mind - you plan on spending your entire investment in the near future (saving for a wedding, college tuition, vacation home, etc.)

The breakpoints listed are guidelines based on our experience, but they are not guarantees. If, for example, you have a $250,000 account, you still could have most of your account in winter- it's just not as likely to happen in a $250,000 account compared to a $100,000 account. You may also see a stable income in an account with only $100,000. But it's not as likely as with a larger account.

What are my responsibilities once I start?

Using the Snider Method requires some work on your part. You're committing to take control of your financial well-being. You must be able to place your trades each month, do your bookkeeping, and stay informed on any changes to your positions and the Snider Method. Your most important responsibility is the decision to commit to the rules of this investment method.

Investors who don't follow a method react emotionally to short-term events. They tend to dump what's not doing well (selling low) and chase what's done well recently (buying high). Research shows they would be better off in CDs. By adopting and sticking to a systematic investment method with higher average returns, you will improve your chances of success.

Emotions are an investor's worst enemy

In his book, Mean Markets and Lizard Brains, author Terry Burnham says that the emotional part of the investor's brain often overrides the logical part, even though the emotional decision is counterproductive. When the market is going up, your emotions tell you to buy. When everything's going down, your emotions tell you to sell. You're buying high and selling low — the opposite of what you should be doing!

Burnham says the best way to put your logical brain back in control is to set a plan before you have any money invested — and stick to it. By following your plan, you avoid the emotional pitfalls that derail most investors.

Notice we didn't say guarantee your chances of success. All investments are cyclical – including the Snider Investment Method. At times, you will have below-average months and below-average positions. You may even be one of the unlucky few who have overall results well below average.

If you are the kind of person who gets frustrated after a few bad results and abandons a method, you would be better off with a guaranteed investment like CDs or to have Snider Advisors do the Snider Method for you. Sticking with the Snider Method is not a guarantee you will get average or above average results, but abandoning it based on short-term results almost guarantees a below average outcome.

In addition to your intellectual commitment to the Snider Method itself, there is also a time commitment. Your time commitment can range from fifteen minutes to a few hours a month, depending on the size of the account, which level of Snider Method service you use, and where you are on the learning curve.

Good bookkeeping can prevent trading errors, which can save you money. If you use CoPilot, we provide you all the worksheets needed to make bookkeeping easier, but it is up to you to make sure they are complete and accurate. However, AutoPilot connects to your brokerage account and automates your recordkeeping.

You need to stay up-to-date on your positions. You don't need to follow the stock price, analyst recommendations, etc. But you must be aware of certain extraordinary events like mergers or buyouts.

We try to notify our users of these extraordinary events in the monthly alumni newsletter, but we don't know every company every one of our clients own. We are happy to help you when one of these events occurs, but it is your responsibility to know and contact us, not the other way around.

The final commitment you make is to follow the rules. Each situation you will come across will have a rule that should be followed. There is no discretion or guessing in the Snider Method. Guessing brings with it your emotions, which often cause investors to make bad decisions. Bad decisions result in unintended consequences down the road. Our historical performance was generated by the rules we teach. If you go off on your own, you've invented your own method, and no one knows what will happen – including you.

How do I get started using the Snider Investment Method?

You need to make a few key decisions before you start investing with the Snider Method. The first is how much money you are willing to start with. Consider your comfort level with the Snider Method, your risk tolerance, and your liquidity needs. Many of our investors start small and add funds later as they become more confident in the Snider Method and their own ability to use it.

Next, you need to decide which accounts you will use. You can use individual or joint accounts, IRA's, trusts, corporations, partnerships, etc. Just remember, you need to have at least $25,000 in each account – you cannot aggregate accounts to reach this limit.

Finally, you will need to decide whether you will use margin. Using margin means you are willing to borrow money from the broker (a secured loan backed by the account equity) if needed. You may get higher yields by using margin, even though your account will probably not be in margin most of the time. You probably can't use margin if you are using a tax-deferred account (like an IRA). But if you are investing in taxable accounts, you can elect to use margin. Trusts, corporations, and partnerships may or may not allow the use of margin.

There are some additional risks that go along with using margin. If your account goes into margin, you will be required to pay interest on the money borrowed from the broker. In rare cases, you might even get a margin call. This is when the value of your account is lower than the amount needed to secure the loan. You will need to sell some investments at a loss to correct this situation. You can get a complete description of the margin feature from your broker. You should read this description carefully before setting up a margin account.

Suitability application

As part of our registration process, you will be asked to fill out a suitability application. This allows Snider Advisors to assess whether your risk tolerance and comfort level make you a good candidate for the Snider Investment Method.

Free consultation

We want you to be a successful and satisfied Snider Method investor. You are welcome to visit with one of our friendly investment advisor representatives to discuss your individual needs. Call 1-866-676- 4337 or email support@snideradvisors.com to schedule a consultation.

Money-back guarantee

You have 30 days to give the Snider Method a try. If you decide it's not for you, we'll give you a full refund of that month's online course fees.

What will I need to use the Snider Investment Method?

The Snider Investment Method requires you to have three things:

An online brokerage account

If you use CoPilot, you can use any brokerage firm you would like. Keep in mind, the screens, fees, and customer service can vary for each firm. If you use AutoPilot, your brokerage account must be at our recommended brokerage firm, TradeStation.

Snider Method SIM Hub

Snider Advisors offers integrated, proprietary tools and resources to help you manage your Snider Method portfolio. The SIM Hub simplifies your Snider Method experience by offering stock selection, AutoPilot trading, performance reporting, education, and account management.

Internet access and time to trade

You need to have access on the Monday following the third Friday of each month during market hours to place your trades. This is the day we call Trade Day. If you can't place your trades that Monday, you will want to place them as soon as possible thereafter. Every day you wait could cost you a little more money.

What kind of performance can I expect?

We've been managing portfolios and tracking their Monthly Net Current Yield since our company's inception in 2002. Over that time, our managed margin (taxable) accounts have been able to achieve results very close to our stated goal before any management fees. Our more conservative non-margin (tax-deferred) approach produced slightly less monthly income over the same period.

We are very proud of our performance and historical track record. Unfortunately, due to the uniqueness of the investment strategy and the individual management of each account, it has become intensely complicated to calculate and publish performance figures along with all the necessary regulatory requirements, disclosures, and explanations. Currently, we are working to overcome these hurdles and provide easily understood and current performance figures. If you have questions about our performance, please contact us at 888-676-4337.

A word about terminology. In the Snider Method, we focus on yield because we believe it's the best way to measure our cash flow. Our yields do not include unrealized gains or losses. We are more concerned with the ability of our assets to generate income than their short-term market value.

Traditional investment methods measure performance using the account value and total return. Total return and capital appreciation measurements are not the best measures for a cash-flow method like ours. They are more appropriate for investments that you might liquidate at any time.

Total return includes the unrealized losses in your account, which can be significant and can offset the yield you have been earning. These unrealized losses could become permanent if you decide to terminate a position early. In this case, the net result of your investment could be a loss.

Factors that impact performance

Type of Account

Margin

In taxable accounts that can borrow from the broker, we utilize a slightly more aggressive margin formula.

Non-Margin

Retirement type accounts use our non-margin formula since they can't borrow from the broker. Our non-margin approach is more conservative and will likely experience slightly lower yields.

More about margin

Historically, the average yield for margin accounts has been about 4% higher than non-margin accounts. The knowledge that you could use margin from the broker to fill in the tail end of a position if necessary, allows you to be slightly more aggressive managing cash. This means you can have more positions, and thus potentially more yield. You do not have this ability in non-margin accounts. A larger portion of cash must be assigned to each position, which will limit the total number of positions you can add. However, due to the tax-advantaged nature of retirement type accounts, the after-tax return of both approaches is very similar.

Account size and performance

The average yield for larger accounts (over $250,000 has historically been about 1% to 2% higher than the average yield for smaller accounts. This is because larger accounts tend to use the cash reserves more efficiently. At $500,000, we start to optimize the allocation to improve income generation. This should allow these accounts to earn more income over time.

Larger accounts have historically had a little less variability of yields. Each position's yield can fluctuate from month to month. Larger accounts have more positions, which typically smooth out these fluctuations.

Interest rates and volatility

Two factors that affect our performance are interest rates and volatility. Option premiums, which is where most of our yield comes from, are typically higher when interest rates and the anticipated future volatility of stock prices are high.

One aspect that makes the performance of the Snider Investment Method different from other investment strategies is that no two accounts may be exactly alike. Each account and client portfolio is managed uniquely based on their specific requirements. While many clients may hold the same stock, it is very unlikely they have the same entire portfolio as another client. As a result, each client experiences unique results. On average, we expect our clients to obtain similar results, but anyone can and will experience periods of both above-average and below-average income.

The importance of following rules

Our historical performance figures were obtained by following the rules of the Snider Investment Method. Everyone thinks they can improve the Snider Method by raising this number, lowering that number, doing something twice instead of once or ignoring it altogether. We often get questions about what affect a change to the rules or parameters would have. There is no way to know.
What we can say is our rules gave the results described in this guide. Remember, this doesn't guarantee the same results in the future, but failing to follow the rules almost certainly guarantees different results.

What are the tax issues I need to know?

For tax-deferred accounts, the tax situation is very simple. You do not pay any taxes until you take withdrawals from the account. Things get more complicated with non-qualified accounts.

You can assume all the gains generated using the Snider Method will be short-term capital gains taxed at your marginal rate. You can first offset any deferred capital losses. This is a slightly better result than interest-bearing investments, like CD's, where you can't offset losses. But it is not as favorable as buy-and-hold investments like stocks, where you can defer all gains until you sell, and if you hold them long enough you may qualify for lower, long-term capital gain tax rates.

Our philosophy has always been to not let the tax tail wag the investment dog. If you get the results you want from your investments, you should be happy to pay the taxes. Well, maybe “happy” is too strong of a word, but you get the idea.

You need to plan for this tax expense when tax season rolls around. You can set aside enough money for the taxes each month or make one large withdrawal for the whole tax bill once a year. If you plan on making one withdrawal, you will need to factor this into your calculations long before you take out the money. This will reduce the likelihood of needing to close any positions early to get the cash to pay the taxes.

The actual tax calculations can be more difficult than the normal buy-and-hold strategy. Options have their own set of rules, and we frequently have wash sales. There are tax software packages and tax preparers equipped to deal with all the nuances of the Snider Method trades. Snider Advisors and its representatives are not tax preparers or tax specialists. We advise all investors to seek the advice of professionals for all tax matters.

What support is available to me?

Fortunately, you are not alone. Through Snider Advisors, you will be supported and informed of any changes and updates to the Snider Method. We consider it our responsibility to make sure you feel confident and supported when you take on the responsibility of managing your assets.

We designed the Snider Method so you would have everything you need to start investing once you complete the Snider Method Online Course. There are no follow-up or advanced sessions you have to take to fully understand the Snider Method.

Snider Advisors can also help you in case you feel you need assistance. Snider Advisors is an SEC Registered Investment Advisor licensed to assist Snider Method investors and manage funds using the Snider Investment Method. We offer three Service Levels:

- ✔ **CoPilot** is a good fit if you prefer to trade almost all on your own. It offers new position generation, limited recordkeeping, and Snider Method guidance and support. It can be used with any brokerage firm.
- ✔ **AutoPilot** allows you to manage your own portfolio but suggests every trade and walks you through the implementation of the Snider Method each month. It gives you a higher level of confidence as you trade, and offers full performance tracking, cash optimization, Vacation Trades, and more. Currently, AutoPilot can only be used with TradeStation brokerage accounts.
- ✔ **Charter** is full asset management. Snider Advisors will make all your trades for you, track and optimize your account, and regularly communicate with you through monthly and annual reports.

You also get a monthly newsletter and access to the password-protected client area of our website. You can retake the online course at any time you feel you need to brush up on the rules and system.

Proven investment systems are what we do. But helping people is what we love. If you have any questions or concerns, please let us know. You can call us at 214-220-0055 or toll free at 888-6SNIDER. We can also be reached through email at support@snideradvisors.com. Of course, if you are in the Dallas-Fort Worth area, you can visit us at our offices, located at 100 Decker Court, Suite 120 Irving, TX 75062.

Disclosure:

The opinions expressed should not be construed as financial, legal, tax, or other advice and are provided for informational purposes only. All investors should consult a qualified professional before trading in any security. Stock and option trading involves risk and is not suitable for all investors. Past performance does not guarantee future results.

Snider Advisors has an economic incentive for recommending that clients open an account with TradeStation. More detailed information about the relationship and our fiduciary responsibility can be found in our ADV Part 2A.

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