JOHN FRIEDMAN FINANCIAL'S INFORMATION BROCHURE

Some Useful (and Regulatorily Required) Information
– Qualifications, Business Practices and the Like –
to Help You Make a Well-Informed Decision
About Whether to Use (or Continue Using)
The Financial Health Advisory Services
of John Friedman Financial

None of which, I hasten to add
(and am regulatorily required to add),
has been approved or verified by the United States
Securities and Exchange Commission, or by
any state securities authority.

If you have any questions or need further information, or if I can otherwise be of assistance to you, then please call me at **415.642.3808** or write to me at CETC@JohnFriedmanFinancial.com

You can also learn more at http://JohnFriedmanFinancial.com as well as at the AdviserInfo website, which is a very helpful website the SEC provides for the benefit of all consumers, at http://www.AdviserInfo.sec.gov.

201 Spear Street, 11th Floor, San Francisco CA 94105

John Friedman Financial

Helping people be smart in their financial lives.

Published on 3/28/2018

Material Changes

Thank you for your interest in the services that I provide under the aegis of John Friedman Financial, and welcome to the John Friedman Financial Information Brochure.

As part of the regulatory framework in which I provide services, I am required to keep this brochure up-to-date and, as part of that updating process, to include, on this first page after the title page of each of the updated versions of this document, a summary of the material changes I've made to this version of the document compared to the next-most-recent version of the document.

I published the next-most-recent version of this document on 3/28/2017, and this version differs from that version as follows:

> **There are no material changes** in this version of the Information Brochure compared to the next-most-recent version.
>
> The differences between this version and the next-most recent version have to do with stylistic refinements, as well as the addition of further content. The stylistic refinements stem primarily from slight re-workings of all the elements of the earlier version, while the additional content stems primarily from the continuously evolving nature of the concepts I use to describe my services and their place within the financial services sphere.

If you'd like to see any of the previous versions of this document or other of my regulatory filings, or any of my earlier materials discussing the industry in which I operate and how I fit into that industry, please let me know and it shall be so.

You can contact me at CETC@JohnFriedmanFinancial.com and at 415.642.3808.

Next up are two Tables of Content (a short version and a longer, narrative-form, highly descriptive version), followed by the main piece.

Thanks again for your interest.

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– Basic Version –

This Brochure includes two Tables of Contents – a *Basic Version* and an *Expanded Version*. The Basic Version helps you find your way around within the Brochure at the top-most level of the main topic headings, while, for reasons explained at the top of the next page, the Expanded Version can give you a great overview of the entire content of this Brochure.

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John Friedman Financial's Advisory Business

The Focus of
My Services Summarized:

I Help People Improve Their Overall Financial Health,
Through Pure Financial Advice, Pretty Much
Wherever that Objective Leads

To begin, thanks very much for your interest. And thank you for wanting to learn more about my services.

My name is John Friedman. I am the owner and sole representative of John Friedman Financial. I'm also the person who wrote this entire document. It's my voice, and mine alone, that you'll hear as you read this document. I've done my best to make this voice inviting, conversational and focused on you and on matters you might want to know about, roughly the opposite of the voice many financial services companies use, which quite a few people find to instead be off-putting, chock-full of legalese, and heavy on content that is much more about the financial services company's needs and interests than it is about its audience's needs and interests.

If you're reading this document, then I can surmise that *your* need and interest in doing so is to gain a better understanding of how I might be of service to you, especially since there's a decent chance you already know that I am by no means a conventional financial planner.

I am, indeed, different from conventional financial planners – a good percentage of whom, truth be told and judging by the way they calculate their compensation, are usually much more interested in managing stock and bond portfolios than in doing financial planning.

To my way of thinking, and perhaps to yours as well, when people want help planning their financial life – help with being smart about how to go about having a well-designed, well-functioning financial life, able to adeptly handle everything from day-to-day matters to decade-to-decade and even lifelong objectives – a rigidly circumscribed, investing-centric approach can be one big swing and a miss, and most often is more about a financial planner's needs and interests, and more about that financial planner's business model and the financial planning industry's historical antecedents, than about anything else.

My approach starts at an entirely different place.

Please read on.

Most simply, I provide financial advice to individuals, families and businesses focusing on a single but extremely broad goal: helping them improve their overall financial health.

Everything I do — *everything* — ties in with that goal.

In keeping with that goal, I don't sell financial products, and I don't provide any financial services other than the financial advice services mentioned above.

I use the following phrases to further illuminate these concepts:

Helping people be smart in their financial lives.
No sales. No asset-gathering.
Just pure advice.

If you're unfamiliar with what the "no asset-gathering" phrase means, and are not certain what I'm getting at here with these three lines generally, please don't be worried: the rest of this document will help you understand, in some detail, just what it is that I do, and why these three lines present a decent summary of it all. And then if you wish to know more, you and I can talk further, to help you understand just exactly how I might be of service to you in helping you improve your overall financial health.

Before getting to that, though, let's take some paragraphs here to set the stage, and help you get your bearings, by talking about what this document is and what it is not, shall we?

This Brochure Serves Two Purposes:

It (1) Provides Important Information to You, to Help You Decide Whether My Services Meet Your Needs, and It (2) Meets the Primary Disclosure Requirements of the Regulatory Environment in which I Operate

In 2010, as part of the financial services regulatory overhaul occasioned by what has rightly become known as *The Great Recession,* Congress passed a law commonly called "Dodd Frank" that led to significant changes in the way many financial services professionals make disclosures to their prospects and clients, as well as to their regulators.

For financial planners and money managers, that disclosure previously revolved around a fill-in-the-blank/check-the-box form called a *Form ADV-II* (pronounced as three letters and a number, i.e., *A D V two)*. Form ADV-II was pretty much universally derided because it was

not user-friendly, and because, as implemented by most, it tended to be a drawn out series of yawn-inducing, legalese-imbued, mumbo-jumbo aimed at meeting the regulatory and legal wishes of the firm more so than at helping the firm's prospects and customers become well-informed and capable of making good decisions about whether to hire the firm or not.

(By the way, if the first sentence of the previous paragraph made you curious about financial planners and money managers being within a common regulatory framework, I'll have much, much more to say about this topic below.)

As a result, much like what happens with the annual shareholder statements and whatnot that many folks owning stock market investments receive in the mail — most of which I'm confident find their way into the paper recycling bin without ever having been read — many of the very people who were supposed to be the ultimate beneficiary of the disclosures in the Form ADV-II were tossing away, unread, any Form ADV-IIs that came their way.

Following passage of the Dodd Frank law and the ensuing regulatory rule-making process to flesh out the details of its implementation, the fill-in-the-blank version of Form ADV-II was summarily retired, and then replaced with a new set of requirements — requirements which this document is intended to meet and which have come to be known as the "brochure requirements" and the result of which is sometimes called (with a bit of backsliding towards some of the jargon'y demerits of the old ADV-II) a "Part 2A" and sometimes called an "Information Brochure." In here I'll use this latter, more descriptive, less jargon'y term.

By and large, the information required in an Information Brochure overlaps quite a bit with the information required in Form ADV-II, but the format and presentation of the Information Brochure is markedly different from that of the ADV-II, with the main difference being that an Information Brochure is in narrative form and must use "plain English" (a phrase which, interestingly enough, is now a regulatory term of art). Other than that, the new set of requirements set out, in only a fairly general template, section-by-section descriptions of what the Information Brochure must disclose, and in what order.

Throughout the rest of this brochure, I'll call that template the "brochure template" (and while I'm at it, I'll add that from here on I'll sometimes refer to the specific document you are currently reading as "this brochure").

That said, I apologize for the density of information on the face page of this brochure. It's a combination of my standard face page trade dress plus the face page requirements of the brochure template. Given that combination, the face page of this brochure is denser than I would like and, given all that density, I'll take a moment here to highlight two pieces of information on that face page.

First, I highly recommend the website last-mentioned on the face page, which you can find at http://adviserinfo.sec.gov (note the "e" in adviser in the web address, rather than the "o" which I use, and note also that a quick check of online resources indicates that both spellings are correct, with my experience being that most financial advisors use the "o" version in everyday writing while most regulatory and legal text uses the "e" version).

If you are ever considering hiring a financial planner or a money manager (there's that coupling of financial planners and money managers together again; the explanation of the coupling comes further below), you owe it to yourself to look that person or firm up on that website, just as you owe it to yourself to look up any lawyer or CPA or insurance agent or real estate agent you're thinking about hiring, all of whom are easily researched on the websites their respective regulators use to provide information to the general public about the people and firms they regulate (those websites are fairly easy to find; please ask me if you need help). Indeed, when I help clients who are considering adding someone to their brain-trust, this is among the first things I help them get into the habit of doing: looking that person up on the regulatory website with oversight of that person's work (see, e.g., http://is.gd/dusdED which is a piece on my blog about how to use the Investment Adviser Public Disclosure website, which is where the link on the face page of this brochure ultimately leads; you can also just search for the abbreviation *IAPD* in the search box on my blog and find it that way).

The second face page item to highlight here is the fact that, although all those who are subject to the brochure requirements have to upload their brochures to be part of the database their regulators maintain, as best I know it's highly improbable that any regulator has ever looked at this particular brochure, and it's absolutely certain that no regulator would *ever* confirm or verify even an iota of information in here, let alone sign off any of it being true or accurate.

I, however, do. I wrote every word in this brochure, based on what I know and how I've designed my business, which, as noted above and as I'll describe more thoroughly below, is by no means a conventional financial planning business and has been, in many senses of the phrase, a real *labor of love.*

By contrast, judging by the Information Brochures of other financial planners and money managers I've read (and I've read quite a few), most people and firms who file a brochure hire a regulatory compliance service to write their brochure, or use in-house lawyers, the result of which is that most of the people working within the firms represented by those brochures do not have the sort of vivid working knowledge of what's in their brochure that comes quite readily when one writes every word of it.

Now, before continuing on, it's helpful to address one other stage-setting topic, noted in passing in the first paragraph of this section, which is that this brochure has two distinct audiences. First and foremost, its audience is you, by which I mean all the people who are considering using, or who already use, my services. So I hope you find this brochure to be a good, informative and useful-to-you read, and that you find it easy to uptake either via skimming (the headers taken together, as set out in the Expanded Version of the Table of Contents, form a good summary of the brochure) or detailed reading (I've used the same conversational language in this brochure that I use in my writing generally, which many people tell me they find to be a real breath of fresh air compared to the language they're accustomed to seeing from financial services firms).

Second, the audience for this brochure also includes the regulators with purview over my services, primary among them the Securities Regulation Division of the Division of Corporations of the California Department of Business Oversight (see, e.g., http://is.gd/iulivO).

So I write this brochure primarily with you in mind — with the goal of making this document useful to you — but also to comply with the brochure requirements of the regulatory environment in which I operate, which, given that I am by no means a conventional financial planner, means that, here and there within this brochure, it's necessary to address some rather arcane topics involving practices which are not at all a part of the services I provide, but which other financial planning and money management businesses choose to make a part of their businesses, and which in the past have led to clients getting hurt financially, the result of which is that those practices today are subject to heightened regulatory scrutiny, and are very much a part of the brochure template.

Given that it's important for you to understand what I *don't* do and why I don't do it, as well as what I *do* do and why I do do it, when those arcane topics come up in this brochure I'll have a few words to say about what they are and why they can be problematic, and then talk about why that part of the brochure template is inapplicable to my business.

So now that you know what this brochure is and why you have it, let's return to a description of my business, shall we?

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. . . .

John Friedman Financial's
Sole Founder, Owner and Representative,
from Its Founding in 2004 Through to the Present:

John Friedman

I founded John Friedman Financial (then called *JFRQ Consulting,* and sometimes referred to in this brochure as *JFF)* in January of 2004 and, to this day, remain JFF's sole owner and representative, meaning that I, and I alone, provide all the services clients receive from JFF.

I am a financial planner; I am also a CERTIFIED FINANCIAL PLANNER™ professional. To distinguish my services from those of conventional financial planners and most CERTIFIED FINANCIAL PLANNER™ professionals, a good percentage of whom appear to be more interested in serving as money managers more than as financial planners, I call myself, among other things, a *financial health advisor,* by which I mean that I help people improve their overall financial health, pretty much wherever that task might lead, and do so by providing pure financial health advice, without selling products and without selling any services other than those I call *financial health advisory services.*

Another of my brochures, this one called *John Friedman Financial's Supplement to Information Brochure re: John Friedman,* talks about my background and experience; it can also help you understand in more detail what all is involved in my being a CERTIFIED FINANCIAL PLANNER ™ professional. Most people receiving this brochure receive that supplement at the same time; if you did not, or if you'd otherwise like to receive a copy of it, then please call me at 415.642.3808 or write to me at the physical or email address on the face page and I'll get it to you right away.

I won't repeat here the detailed information in the supplement about my background (briefly: lawyering in the '80s and' 90s, business consulting to high tech startups and established technology companies in the '90s and early 2000s, including, importantly, E*TRADE, where I first became involved in financial services, and then financial planning proper since 2001). Instead, in here I'll talk in general terms about my career and how my experience and background has led to the business model I use — about how my current work is a natural evolution and, in many ways, a culmination, of what I've been doing over the past thirty-plus years.

Two common themes running through my career path are important here. First, throughout

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ and federally registered CFP (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

my career I've always served *clients,* and have always served those clients by acting as their *trusted advisor.* So, ever since 1985, when I joined the working world in earnest, first as a lawyer, then as a business consultant and now as a financial health advisor, I've made my livelihood by earning people's trust and respect, which in turn gave them confidence when looking to me for sound advice and assistance in making good decisions which, in turn, enabled them, with my help, to accomplish important things in their lives.

It is for this reason, as well as others, that I do not sell financial products of any kind, and sell only one kind of financial service, which is the service of providing financial health advice.

My thinking here is that, when a salesperson sells a product — be it a financial product or a pair of shoes — the person buying that product from the salesperson is a *customer* rather than a *client* and their relationship is that of seller and buyer, which in turn means, among other things, that the salesperson answers primarily to the maker or distributor of the financial product or of the shoes, rather than to the person buying the financial product or the shoes.

And that is why I don't sell insurance, I don't sell stocks, I don't sell bonds, I don't sell mutual funds, I don't sell annuities, etc., etc., etc. (and, yes, I also do not sell shoes . . .).

Instead, I simply provide financial health advice.

My business, then, rests on the premise that, when I provide advice to you, you are a *client*, and it behooves our work together that, when doing it, I serve but one master — *which is you* — rather than some faceless enterprise in the background, trying to get me to sell you Product A rather than Product B or Product C (or some shoes that no one else has wanted). So I don't sell stuff.

The second theme running through my working life is that I've always chosen to be a generalist rather than a specialist. It's not that I have something against specialists — I don't — but, rather, it's that I find my highest and best use comes from serving as a generalist, through helping clients understand the *whole-shebang* of the matters before them, and helping them understand how the various parts comprising that whole-shebang fit together and interact.

On a more self-referential note, I have always enjoyed being able to bring forth at least a little bit of knowledge with which to respond to just about any question a client might ask, no matter how far-ranging these questions might be, and I really do not enjoy telling a client, *Sorry, I can't help you with that.*

As I see it, a financial life is mostly not compartmentalized, so why then should your financial advice be compartmentalized? And that's why I offer financial health advice designed to help people, families and businesses improve their overall financial health, pretty much *wherever that objective might lead.* People's financial lives are multi-faceted, and so too should be their financial advice.

This stands in stark contrast to specialists, who, by definition, can be of help in a narrow range of areas, as well-summarized in this well-worn shoe of a saying:

If all you have is hammers,
then all you see is nails.

Taken all together, then, I provide services to help you improve your overall financial health, pretty much wherever that objective might lead in your particular case, and I do it by providing pure financial advice and without selling you anything other than my advice.

So what does that look like in practice? The next section answers that question.

The Main Service Offerings for You to Consider:

The Whole-Shebang Offerings, and the Consultations

My offerings fall into two broad categories: the Whole-Shebang offerings, and the Consultations, more thoroughly described as follows:

1. **The Whole-Shebang Offerings (commonly referred to as "Comprehensive Financial Panning").** If you come seeking help with your entire financial life, then one of my Whole-Shebang offerings is probably right for you. The Whole-Shebang offerings follow a well-defined, three-phase process, designed and honed over the years, as follows:

   - In the **Understand-It-and-Plan-It** phase, I help you analyze your financial life and then we jointly develop strategies that are apt to improve your overall financial health going forward from there. The main outputs we'll generate during this phase of the work is a financial plan, consisting of a To-Do List and a statement about why the decisions underlying the actions in the To-Do List are good decisions.

   - In the **Get-It-Done** phase, I help you get everything on your To-Do List

done. It's your decision about how much of the to-do'ing you do and how much I do, so my involvement can range from very hands-on, with me doing a great deal of the to-do'ing, to very hands-off, with me simply providing a backstop for you if you should need help with something. Most clients need at least some help! And quite a few clients need a lot. Getting one's financial life smartened-up and then buttoned-down is something that doesn't come easily to a good number of folks. The main output we'll generate during this phase of the work is a To-Do List showing that all your to-do's are t'done.

- In the **Maintenance and Continuous-Improvement** phase, I help you maintain and refine your overall financial health on an ongoing basis. This work can range from, at one end of the spectrum, my having no involvement with you and your financial life until you call me in to help you out on something, to, at the other end, having monthly or quarterly or, most typically, annual meetings to assess and discuss whatever is going on in your financial world, and how you're doing on achieving your long range goals.

  Given that financial health is typically not 100% self-perpetuating, I recommend that, at minimum, we meet each year in the early part of the calendar year for an annual financial health check-in and update, during which we review what happened in your financial life during the past year (what worked, what didn't, etc.) and talk about your goals for the current year, after which, similar to the earlier phases, we'll figure out what, if anything, needs to be done and how to get it done, and then we'll go about doing the to-do'ing to getting it t'done.

Clients hire me for each of these phases separately. For that to happen, both the client and I must agree — must *opt in,* if you will — to go forward with the next phase (in the past thirty-plus years of lawyering and business consulting and financial health advising I have only rarely felt the need to opt out of a client relationship, but it certainly has happened here and there).

This opt-in approach differs markedly from the *opt-out* approach many financial services providers use. As used here, the "opt out" approach to a commercial relationship means that the commercial relationship self-perpetuates itself (and typically the provider keeps getting paid) absent the customer or client taking some sort of affirmative step to end the relationship. Those who are old enough to remember the advertising slogan involved might also think of the opt-out approach as akin to "roach-hoteling," in that customers and clients can check-in, but then find it exceedingly hard to check-out. So too with financial services which make it very

easy to opt-in but quite difficult to check-out.

I do not use the opt-out approach because I believe it to be inimical to the trusting relationship I seek to have with clients.

2. **The Consultations.** If you instead come to me wishing to work on something less whole-shebang'y and more laser-focused on a specific part of your financial life, then a Consultation makes sense for you. Consultations vary widely, and use whatever process makes sense for your particular situation and objectives. In general, if you have something in your financial life that you want my help on, the odds are quite high that together we can design a consultation that nicely addresses your need.

I typically use the same written agreement for both Consultations and Whole Shebang Offerings. In keeping with the opt-in nature of working with me, the agreement has a fixed term of five months or less and provides that the agreement can be extended for a period of five months or less. Each agreement specifies a term certain; if the project the client and I are undertaking is large, then the term is usually five months, while smaller projects will use either three or four month terms; the same is true of the term of any extension the client and I agree to pursue.

The Materials You Will Have at Your Beck and Call:

Hands-on, Experiential Tools, Authored by Me from the Ground Up, Designed to Help You Further Understand Your Financial World, and to Help You Make Better Decisions

The foundation upon which all my services rest is a library of materials I've created over the years, embodying much of the financial knowledge I've acquired. I typically provide these materials to clients via email or jointly accessed online storage (such as DropBox and its ilk), so that you can use and enjoy the materials on your own timetable and in the manner that works best for you.

This library of materials includes readings and thought exercises, ranging from introductory materials that virtually all of my clients use, to advanced materials that only especially voracious learners with particular needs use, as well as spreadsheet and numeric exercises, ranging from simple tabulations that most anyone with a computer can use without my help, to more complex software tools that only a small portion of my clients are comfortable exploring on their own.

Most of my materials provide you with a dynamic, hands-on, real-time, fully experiential uptake of the elements of the work you are pursuing; by contrast, most financial planners use pre-packaged financial planning software that their clients typically experience only via the software's static output, and only in a manner that is divorced from their central, real-time interactions with their financial planner. It's the difference between, on the one hand, doing real-time *what-if'ing* sorts of work together – seeing what might happen if we change one thing or another in your financial life and following the numbers where they lead and discerning how they interact with each other – and, on the other, being handed a piece of paper with a bunch of numbers printed on it purporting to be the one single truth – the one truth to rule them all.

It's also the difference between being told something about your financial life – being *financially planned at,* so to speak – and experiencing something about your financial life, and thereby learning something about it and increasing your understanding of it.

For many people, the experiential approach works far better.

The Contract-Formation Process:

A Process During Which You and I, Together, Custom-Tailor the Work to Meet Your Particular Needs.

Since every client's financial life is different from every other client's financial life, your initial interactions with me will typically include a session during which we, together, figure out the customized scope of work that you will be pursuing through your work with me.

If you pursue a Consultation, then that initial interaction will focus on what you have on your mind, and how I can be of service to you in that regard. If you instead pursue one of the Whole-Shebang offerings, then during the customization process we will discuss various financial health topics you might wish to work on, so that we can prioritize and/or deemphasize and/or rule out working on given topics, as appropriate to you and your situation. We'll do this using either a formal, task-oriented process or a more informal process, depending on the level of Whole Shebang offering you've chosen to pursue. From that conversation we will then generate your particular scope of work.

When using the formal, task-oriented process, the conversation often focuses on the following list of financial health topics that I've developed over the years (presented here in alphabetical order):

- **Balance Sheet Planning and Maintenance**, including your past, present and future decisions about how to hold your saved-up money, including asset allocations (e.g. real estate assets vs. business assets vs. financial assets vs. other assets such as collectibles and the like); asset locations (e.g., retirement accounts vs. non-retirement accounts, and as to the former, traditional vs. Roth retirement accounts); liability allocations (how much debt to have and which sorts of debt are the good kind and which are the bad kind); buying versus renting your home; buying a bigger or a smaller or a second home; uses of specific entities in conjunction with specific objectives; etc., etc., etc.

- **Business Planning and Maintenance** including choice of entity; strategic and tactical planning; business succession planning; revenue and pricing models; transaction structurings; contract negotiations; employment matters; banking relationships; group benefits (including how to structure business-owner-specific benefits); buy-sell agreements; liquidity event strategies and other methods of unlocking the value embedded within a business you own in whole or in part, employee stock ownership plans and private foundations; general business matters; etc., etc., etc.

- **Concentrated Risk Planning**, including strategies for diversifying away from concentrated stock positions or concentrated real estate positions; the benefits of diversification; etc., etc., etc.

- **Debt Strategies and Debt Paydown**, including financially healthy uses of credit cards and debit cards; paydown strategies for credit card debt and student loan debt; establishing and maintaining creditworthiness via credit scores and the like; mortgage strategies; business loan strategies; understanding the time value of money and hurdle rates; etc., etc., etc.

- **Education Expense Planning and Maintenance**, including 529 Plans; UGMA and UTMA accounts; Coverdell accounts; tuition inflation; how much is enough; student loans, grants and scholarships; private loans vs. government loans; income-based, pay-as-you-earn, and income-contingent student loan repayment programs; etc., etc., etc.

- **Estate Planning and Maintenance,** including decisions about how to handle your worldly affairs under less than ideal scenarios, such as death and disability, including the need for, and how to easily go about getting and maintaining, wills, living trusts, powers of attorney, medical directives, living wills, special purpose trusts, etc.; gifting strategies; transfers of property via titling, beneficiary designations and account-type (such as payable on death accounts); planning for life's other bad-case scenarios (primarily involving insuring against some of the

financial difficulties that can arise in those scenarios); estate, gift and generation-skipping transfer taxes; etc., etc., etc.

- **Expense Planning and Maintenance**, including your day-to-day spending habits; discretionary spending habits; methods of monitoring spending habits; the varying ways in which spending impacts overall financial health; etc., etc., etc.
- **Family-Unit Financial Operations**, including different strategies couples use to divide (or not divide) their assets between themselves; different strategies couples use to divide (or not divide) their financial housekeeping tasks between themselves; bookkeeping methods; how to build out and manage your financial services brain trust; involvement of children; etc., etc., etc.
- **Family-Wide Financial Health**, including inter-generational family issues (including issues between parents and children) and intra-generational family financial issues (including issues between sibs); etc., etc., etc.
- **Financial Services Consumer Awareness**, including how to be a smart consumer of financial services; how to manage your financial services providers; etc., etc., etc.
- **Group Benefits Planning and Maintenance**, including group health insurance, group life insurance, group disability insurance and group long term care insurance, from both the sponsor's and the end-users' perspectives; retirement plans, such as 401k plans, profit sharing plans, cash balance plans, etc., etc., etc.; health savings accounts; cafeteria plans; etc., etc., etc.,
- **Income Planning and Maintenance**, including labor-generated income planning (also known as the good, the bad and the ugly of working for a living); capital-generated income planning and maintenance (also known as retirement); diversification of income sources; career planning; couples-based income stream balancing/complementariness in terms of time and/or nature; etc., etc., etc.
- **Insurance Planning and Maintenance**, including uses of, and needs for, individual medical, life, disability, annuity and long term care insurance products; health savings accounts; property & casualty and general liability insurance, such as homeowner, auto, earthquake and business insurance; liability concepts and the legal system; etc., etc., etc.

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- **Investment Planning and Maintenance**, including risk vs. reward; investment choices (stocks vs. bonds, domestic vs. international, public vs. private, etc., etc., etc.); active versus passive investment management; investing approaches (swing for the fences vs. trying to hit singles); sell disciplines, including guard-rail- and calendar-based rebalancing strategies; technical and fundamental analysis; nut 'n bolts of investment re-jiggerings (platform-to-platform transfers, both like-kind and in cash, averaging into and out of positions, etc.); being smart about hiring, managing and, if need be, firing investment professionals and, more broadly, being smart about how you interact with the companies and people making up the financial services industrial complex; etc., etc., etc.

- **Later-Life Planning**, including (either for yourself directly or when acting on behalf of a loved one) planning for, or living with, dwindling financial health and/or dwindling physical health; the value of having difficult conversations among all those affected, and ways to foster those conversations; being smart about how to interface with the medical services industrial complex and the insurance services industrial complex, including being smart about doctors, hospitals, hospital staff, Medicare, pharmacies, etc.; various alternative living situations, such as independent living facilities, assisted living facilities, skilled nursing facilities; continuing care retirement communities (CCRCs), The Village movement, etc.,; end-of-life issues such as hospice and palliative care; ways to successfully manage a team of medical providers so as to increase the chances of a person's death being in keeping with his or her wishes; funeral and other post-death matters; etc., etc., etc.

- **Nudges, i.e. Work-Arounds for the Tendency of All of Us Human Beings to Behave Like Human Beings**, including making promises to yourself and to others in writing; opt-out vs. opt-in approaches to structuring your financial life, including use of automatic savings plans, automatic investing plans and automatic investment-rejiggering plans; glidepath and guardrail automatic rebalancings; cooling off periods; precommitments; using coaches and personal financial software products; etc., etc., etc.

- **Numeracy**, including the arithmetic functions underlying a person's financial realities; the nature of compounding; interesting arithmetic rules of thumb, including The Rule of 72 and the 4% Safe Withdrawal Rate rule of thumb; geometric vs. arithmetic means; an understanding of which numbers in a financial life are the numbers that truly drive the numeric reality of that financial life; etc., etc., etc.

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- **Online Financial Services**, including online financial services offered by banks, brokerages and other financial services providers; how to lower the risk of doing financial transactions online; password selection strategies; etc., etc., etc.

- **Options and Other Non-Cash Compensation Arrangements**, including exercise strategies for incentive stock options and non-qualified stock options; employee stock purchase plans; restricted stock units; stock appreciation rights; etc., etc., etc.

- **Privacy Planning and Maintenance**, including privacy protection; identity protection; being relatively free from junk mail and junk email; uses of different email addresses for different purposes; etc., etc., etc.

- **Real Estate Planning,** including primary residence and second home decisions; joint ownership options; short-term rental options; living in one unit of a multi-unit building options; purchase and sale strategies; having a satisfactory relationship with real estate agents and brokers; remodelings, and having a satisfactory relationship with your general contractor and the rest of the remodeling team; methods for financing a remodel; etc., etc., etc.

- **Retirement Planning and Maintenance**, including long-term investing; the effects of inflation and taxation; methods of determining retirement objectives; linear and probability projections; various retirement styles, including pre-retirement lifestyle-planning and post-retirement lifestyle-planning issues that can arise when initial designs for retirement lifestyles fall short of expectations; the mechanics of retirement accounts, including permissible withdrawals throughout life and required withdrawals in later life; different investment approaches to use during accumulation phase vs. during retirement phase; retirement plans for the self-employed and/or business owners, including deferred compensation arrangements and post-sale earn-outs; Social Security benefits planning; etc., etc., etc.

- **Transaction Design and Negotiation**, including financial analysis of alternative designs; contract negotiation strategies; repeat-play vs. single-play transactions; etc., etc., etc.

- **What's Important About Money**, including finding a right balance between consumption and savings; between accumulation of material possessions and accumulation of life choices; between acquiring things and acquiring experiences; between generating income and pursuing your non-financial objectives; between spending time making money and spending time with loved ones; etc., etc., etc.

Regardless of whether you are pursuing a consultation or a Whole-Shebang offering, then, through the use of this list and/or through the these initial interactions, you and I will design the work ahead.

Introduction to My Approach to Helping You Improve Your Overall Financial Health Via Investing:

Some Thoughts About the Mainstreaming of Investing in the U.S. and the Rise of Passive Investing

Since my services focus on helping clients improve their overall financial health, and since those clients usually have at least some of their financial health tied in with investing, my services typically include helping clients improve their financial health via investing. Indeed, I estimate that roughly 35% of the services I provide relate to investing.

That said, something on the order of 100% of the brochure template this brochure follows is about investing and nothing but investing, which means that the template requires me to go into some pretty arcane matters. So, upfront, before the arcania, I'll give you the basics of how I help people improve their overall financial health via investing.

We begin with a story.

Imagine a person named Pat. Imagine also that Pat has $3 million to invest. I choose this number solely because, as you will see in the next paragraph, it's an easy number to think about as the story unfolds. From some people's perspectives, having $3 million to invest qualifies Pat as quite wealthy, while from other people's perspectives it does not. I leave it to you to characterize for yourself the extent to which Pat is wealthy or not, and to in turn think about how much that characterization tells us about Pat's overall financial health.

Pat hires three very good money managers (I'll define the term "money manager" down below, on Page 22; for now, please think of it any way you wish). The three money managers, called Money Manager A, Money Manager B and Money Manager C, each manage $1 million of Pat's money. Pat's intention is to "horse-race" the three money managers to determine whether to continue over the long run with all three money managers or to just use one or two of them.

To keep everything even-steven between the three money managers, we need to assume away the varying risk characteristics inherent in different investing strategies; to do that let's say that Pat directs all three money managers to pursue *precisely* identical investing objectives, and that all three money managers invest in ways that have *precisely* comparable

risk characteristics, and that those risk characteristics in turn *precisely* mirror the risk characteristics of the overall market for investments in which the money managers are investing. In the real world this is virtually impossible to do – risk can't really be measured this precisely – but for the purposes of this story this sort of magical-assuming can be helpful.

Pat also has a mostly forgotten 401k retirement plan from a job she left some years ago. When Pat first started in that job, Pat checked a few boxes on a form that meant the 401k would be invested in very broad-based, very well diversified investments, and that each of Pat's paychecks would be auto-dinged to make a further contribution to the 401k plan. After that initial box-checking, Pat never gave the 401k another thought. Today the 401k plan has $100k in it and is very much overshadowed by the three million-dollar, professionally-money-managed accounts.

Pat pays each money manager an annual fee equal to 1% of the account each money manager manages. At the start of the story, then, Pat is paying each money manager a fee at the rate of $10k per year (because 1% of $1,000,000 equals $10,000), for a total of $30k per year, though this amount will change, either up or down, depending on the extent to which the values of the accounts against which these 1%-per-year fees are taken go up or down.

Pat also pays something to have the 401k up and running, but until recently when the law changed and forced 401k plans to provide written disclosures to their participants about what that cost was, Pat didn't even know that those costs existed, largely because they were otherwise very hard to notice/very well hidden and because Pat was not the overly curious sort, especially when it came to these sorts of things. Even now, when Pat receives that written disclosure, Pat finds it hard to fathom and throws it away after a quick glance.

Pat talks with one of the money managers each month, rotating through the managers so that Pat talks with each money manager every three months; during a typical such monthly talk the money manager tells Pat what actions (i.e. buy, sell, hold) the money manager thinks Pat should take in the account the money manager is managing, and then asks Pat to approve those actions. Pat has no idea one way or the other – has no way to *be smart* about those decisions – so Pat always tells the money manager to go ahead and do it.

By contrast, Pat never looks at the 401k at all.

Pat is a normal human being, which means that, once the three money managers started doing their work on Pat's behalf, and since they all seemed nice enough and capable enough, time passed and, even though Pat intended the horse race to last two, maybe three – at most five – years, why, lo' and behold, before Pat knew it, it was ten years later.

During those ten years the investing market, taken as a whole, doubled. Pat's 401k, invested in very broad-based, very well-diversified investments, also doubled, and is now worth $200k.

Pat's money managers, on the other hand, had varying degrees of success. Money Manager A more than doubled Pat's money, Money Manager B *precisely* doubled Pat's money, and Money Manager C did not even double Pat's money, so, in comparison to Pat's largely-forgotten and entirely ignored 401k account, the account managed by Money Manager A did better than the 401k, the account managed by Money Manager B did the same as the 401k, and the account managed by Money Manager C did worse than the 401k. Again, we are doing some magical assuming here; real world investing is never this tidy.

For our purposes, the degree to which Money Manager A won the horse race and the degree to which Money Manager C lost the horse race doesn't matter. What does matter, though, is that, taken as a whole, after those ten years the three accounts totaled $6 million; considered as a whole, then, they, too, doubled.

Pat looks at all this and says*,*

> *Why on earth am I talking to these money managers each month? I never talked to anyone about my 401k and it did exactly as well as the money managers did as a group, and I had to spend all those hours listening to what they said, never understanding much about it, and always just agreeing to do what they said. And if it weren't for the one money manager who did well, I would've done worse with my big accounts than with my 401k. And with the 401k I dialed in the investments all by my lonesome in the first place, years and years ago, and those decisions I dialed in worked just fine, and having done it myself makes me realize that this stuff isn't really rocket science at all. And I paid all those money managers more than $30k the first year and I'm all set to pay them more than $60k this coming year, and what did I get for that money I paid and the much bigger money I will be paying? Nothing. Literally nothing, other than some phone calls filled mostly with confusion. My 401k did everything my money managers as a group did, and did it in an extremely low-maintenance way.*

To be clear, this is purely a story, highly stylized most certainly, overly simplistic quite probably, but also one that helps set up the discussion of the three themes set out below about the investing world of today and how my services fit into that world.

Theme 1: The Mainstreaming of Investing. Over the past fifty years, the U.S. investing markets have gone from being the province primarily of wealthy entities and

individuals to being the province of most anyone who wants to invest, so while it's still dominated in many ways by those same wealthy entities and individuals, investors in the U.S. investing markets now come from most (but by no means all) walks of life. Many factors contributed to bringing about this change; I'll touch on only two of them here.

One factor involved in the mainstreaming of investing, beginning in the 1970s and coming on strong ever since, has been the rise of tax-advantaged retirement plans. Pat, in the story above, is among the tens of millions of people in the U.S. benefitting from the rise of one of the most popular types of those plans – a *401k retirement plan.* Pat's 401k retirement plan made it possible for Pat to have some of Pat's wages siphoned off into a tax-advantaged investment account, called *a 401k account,* where those wages would sit and (hopefully) grow, free – and this the "tax-advantaged" part – from the annual tax cost imposed on investment-generated income and investment gains until such time as Pat was ready to start using some or all of those wages to live on, ideally, for tax purposes, once Pat reached 60 to 70 years of age.

Another factor involved in the mainstreaming of investing was the general falling-away of various structural and pricing barriers to entry into the investing world – the falling away of various *hoops to jump through,* if you will. The structural hoop to jump through in those days now long past was that anyone who wanted to invest pretty much had to go through a money manager – in effect, a gatekeeper – which, in and of itself, was enough to keep many people from investing. And then the pricing hoop to jump through back then was the relatively high cost of compensating the money manager for being involved in the investing process in the first place. That high cost meant that investing small amounts wasn't practical because the scale of the money manager's compensation would be too large relative to any potential gains a small investment would likely ever generate.

For example, say that back then the cost to buy and later sell an investment totaled $200 ($100 to buy right now and then $100 later on when you decided to sell) and that the hoped-for 10-year return from that same investment was, like in Pat's situation in the story above, a doubling. Now let's say that Terry has $250 to invest, so that after ten years the $250 Terry invests has a decent chance of doubling, increasing in value all the way up to $500, for a gain on the investment of $250.

Would you pay $100 now and $100 later for a chance of benefiting to the tune of $250 later on? Probably not, right? And that's because, by just about any measure, the roundtrip buy/sell cost of $200 you would incur to get in and out of the investment would be out of scale with that potential gain of $250 (which, after all, might be considerably less than $250 or might even be a loss).

But if Terry had, say, $5,000 to invest, then the potential gain would be $5,000 and, assuming that the roundtrip cost remained constant at $200, the cost and the potential reward would be much more in-scale. Notice, however, that, all things being equal, increasing the amount required for each investment also makes it all the more difficult for Terry to have well-diversified investments, and note also that there's a lot of extra sleep-well-at-night factor that comes from owning well-diversified investments which is totally absent when you own a single non-diversified investment, because its nerve-wracking to have all your eggs in one basket.

Today these structural and pricing barriers have fallen away just about entirely. Now you can invest entirely on your own (no gatekeepers to grant you access) and now the typical cost of buying or selling an investment is in the neighborhood of $10 rather than $100, and is sometimes even $0 – as in *free* – which means that today you can invest, say, $500 in a moderately economic way, and $5,000 in a very economic way.

So these days investing is available to people from most walks of life – it's gone mainstream.

Theme 2: The Rise of Passive Investing. Roughly paralleling the beginning of the mainstreaming of investing in the U.S., a second huge shift started gaining momentum within the investing industry, as the investing public gained far easier access to truly wonderful *indexed* investments, also known as *passive investments* or *index funds* (which I'll discuss in more detail beginning on Page 46, below). In the story about Pat starting on Page 16 above, when I referred to the "very broad-based, very well-diversified investments" in Pat's 401k plan, I was referring to passive investments.

The idea underlying passive investments is that people are apt to enjoy better long-term investment results when they invest in a basket of investments which seek to track the investing results of a given investing market itself (or very broad swaths of that investing market), rather than attempting to invest in the good parts of the given market and attempting to avoid the bad parts of the given market. For example, it is now quite commonplace and quite easy for investors to purchase a single investment that seeks to mimic the investing results of, e.g., the entire American stock market, or the entire American bond market. Nobel prizes have been awarded to some of the folks who figured out that avoiding the bad parts and emphasizing the good parts was a difficult task to accomplish over any decent length of time, and who thereby laid the theoretical groundwork for passive investments which allowed investors, via a single purchase, to "own the whole market."

Making passive investments all the more attractive are some other characteristics having to do with the simplicity of the passive investment approach. One such characteristic is that

they are very low maintenance to own, in that, more than most any other investment, it often makes great sense for someone to buy passive investments for the very long run – *just about forever* in many cases – which in turn means that those people don't then have to be constantly worrying about when to sell those investments. Another is that they are very inexpensive to buy; indeed, in some places these days you can buy them without paying any upfront cost at all, i.e. no commission. Another characteristic is that they are very inexpensive to own, which means that the expenses embedded within passive investments generally tend to be significantly lower than most any other investments.

So passive investing strategies have become mainstream just as investing itself has become mainstream.

Theme 3: The Questioning of Money Managers' Value Proposition. The two decades-long trends described above – the mainstreaming of investing and the rise of passive investment strategies – have together made it that much harder for money managers to demonstrate their value proposition because (a) money managers are no longer the gatekeepers of the investing world and (b) the primary value of money managers, as most people see it, rests on the assumption that they invest in the good parts of markets and avoid the bad parts of markets, but the data does not provide clear evidence of their ability to do anything of the sort while at the same time it has become very, very easy for people to invest in passive investments which, in some very important ways and at some levels of analysis, alleviate the need to pick winners and avoid losers.

In Pat's stylized story above, Money Manager A succeeded in investing more in the *good* parts of the market and investing less in the bad parts, while Money Manager C did just the opposite (invested more in the *bad* parts of the market and less in the good parts), while at the same time Pat's mostly-ignored 401k, using very-broad-based and very well-diversified investments, i.e., passive investments, invested even-steven in both the good parts and the bad parts and, by doing so, achieved an investing result comparable to the investing market as a whole. We can surmise also that Money Manager B, who accomplished that same end-result, invested in the same even-steven way in the aggregate over time (though we have no way of knowing how bumpy or smooth the ride was getting there).

Indeed, the reality is that for every money manager like Money Manager A who outperforms a given broad investing market there is in all likelihood at least one like Money Manager C who underperforms it plus one like Money Manager B who, one way or the other, matches it at some end-point in time. So the good money managers are rare, and that makes them hard to find and, typically, it also leads them to want to work exclusively with very wealthy people who can afford to pay the money manager very large amounts of compensation.

Putting these themes all together, and based on my experience reviewing the money-manager-directed investing portfolios of many people, I am far from convinced that money managers – a term I will at long last define, down below in the very next section – are important, let alone necessary, to people's overall financial health.

As a corollary, I am *quite* certain that the money management industry taken as a whole has a long history of being *quite* detrimental to people's overall financial health. Indeed, the detriment imposed by the money management industry on many people's financial health over the last century is the primary reason this document is part of the regulatory framework within which many money managers operate.

I believe, then, that many people, with some guidance from people like me, can improve their overall financial health via investing (a) by purchasing and owning over the long-run very inexpensive, very broad-based passive investments with no, or very little, further assistance from a money manager, and/or (b) if they want to use a money manager (which is a great idea for many people), by having someone help them be smart about bringing in and/or managing and/or jettisoning one or more money managers from their financial life.

With that background in mind, it's now time to turn to the specifics of how I can help you improve your overall financial health via investing, starting with an overview of how most of today's money managers manage money and how they like to be compensated.

Introduction to My Approach to Helping You Improve Your Overall Financial Health Via Investing:

Some Thoughts About the Services Money Managers of Today Commonly Provide, and Why I Do Not Provide those Services

To begin, let's get more specific about a term I've purposefully left vague thus far in this brochure. It's a phrase that is not a term of art, and is therefore malleable enough to do the work I need it to do in this context. The term I am speaking of is the term "money manager."

For the purposes of this part of the discussion, money managers come in two varieties: *investment advisors* and *stockbrokers.*

In easily understood terms, investment advisors provide, on a regular basis, advice about investing, and are compensated for providing that advice. JFF is a registered investment advisor and I, as its sole representative, am an investment advisor representative because the financial health advisory services I offer include, on a regular basis, providing advice

about investing, and because I am compensated for doing so (please note that saying that JFF is a "registered" investment advisor does not imply that JFF has – or that I have – a certain level of skill or training).

Stockbrokers are investment salespeople. They might provide advice about investing along with their sales activities, but they are not paid for providing advice about investing. Instead, like most salespeople, stockbrokers are paid a commission when they successfully close a transaction, which in this context includes both getting a customer to *buy* an investment and getting a customer to *sell* an investment.

In the late '90s when I worked at E*TRADE I took and passed the tests and received the licensing that made it possible to act as a traditional stockbroker within the E*TRADE stockbrokerage (technically the terms would have been I served as a *Registered Representative* and that E*Trade was the *Broker/Dealer* through which I could have been authorized to act as a registered rep). I never in my life, however, generated a single stockbrokerage commission! My role at E*TRADE was far different from stockbrokering, and the coursework leading to my licensing was just something E*TRADE made available to some of its employees.

With those definitions in mind, now let's look at the common approaches each type of money manager uses to manage money, starting with investment advisors.

The common approach investment advisors use to manage money involves (a) you moving some dollars or some investments to an account over which the investment advisor has some degree of management authority, or otherwise providing the investment advisor with that authority over some dollars or assets wherever they are currently located (this is the "asset-gathering" referred to on Page 2, above), and (b) you and the investment advisor representative talking about your goals for the money that your investment advisor is managing for you, and (c) either the investment advisor representative going off and doing the money managing without talking to you very much or the investment advisor representative going off and doing the money managing and talking to you here and there and from time to time asking you to say yay or nay to a decision as to which you, if you are like most people, generally have no ability to be smart about, and (d) each calendar quarter, pulling out something on the order of 0.25% of the money the money manager is managing for you as compensation for managing your money (a fee typically known as an "Assets Under Management Fee" and also known as an "AUM Fee," with the letters in the abbreviation each stated separately as letters, rather than as the sound of *owwwoom;* in here I'll also sometimes refer to this as a *portfolio fee* or as a *percentage-of-portfolio fee* because a lot of people just don't get the gist of what these fees are all about when they

hear the phrase *AUM Fees)*. Investment advisors typically charge these portfolio fees regardless of the excellence of the services they provide; regardless of whether the portfolios they manage increase or decrease in value; regardless of how well or how badly the investments the money manager managed perform vs. some standardized metric of performance; and, typically, regardless of whether their clients are aware that they are paying these portfolio fees; regardless of whether their clients think they owe the portfolio fees to the money manager; and regardless of whether their clients think the investment advisor deserves to be paid.

I don't do that sort of common investment advisoring for clients, and I won't do it for you. I don't gather assets and I don't charge percentage-of-portfolio fees.

Like investment advisoring, stockbrokering involves the first three steps noted above (i.e., moving your money to an account the stockbroker controls, which, from the stockbroker's perspective, is "asset-gathering", and then you and the stockbroker figuring out what you want the money to do for you, and then the stockbroker later calling you up here and there asking for your yay or nay on some questions you, if you are like most people, have no reason to be smart about), but, rather than getting paid via portfolio fees of, say, 1% per year, the stockbroker simply gets paid a commission every time you buy or sell an investment through the stockbroker.

I don't do stockbrokering for clients and I won't do it for you. I don't gather assets and I don't get paid a commission every time you buy or sell an investment.

There are many reasons that I do not provide the services money managers – investment advisors and stock brokers – commonly provide, all of which we can discuss in detail if you wish; here I'll address three of the important reasons.

The first reason is my belief that great money managers – those who over the very long-run do for clients what Money Manager A did for Pat – i.e. more than doubling Pat's money when the overall market doubled without incurring greater risk than was present within the market as a whole – do not have time to do much of anything other than managing money. They should live, breathe, eat and sleep the global investing markets, and they certainly should not be trying to help people, as I do, improve their overall financial health.

The reverse, in my opinion, is true as well: a financial health advisor does not have the time or bandwidth to also try to be a great money manager.

But a *financial health advisor* – me, for instance – as opposed to a money manager, absolutely can help you improve your overall financial health via investing, by helping you

achieve investing results along the lines of what Manager B did for Pat (doubling Pat's money when the overall market also doubled without incurring greater risk than was present within the market as a whole).

Second, I believe that it's hard for money managers to provide objective, unbiased financial health advice. For instance, think about the situation in which you wish to withdraw some of your money from the account your money manager is managing and then use the money to, say, pay down your mortgage, or take a year off from working and travel around the world. How might your money manager view this?

Ideally, your money manager will view this objectively and without being biased in favor of giving you advice which increases the compensation you will be paying your money manager, and will help you make a good decision about either paying down your mortgage or travelling the world.

But the reality is that the money manager's compensation is directly harmed by you withdrawing money from the account the money manager is managing for you (with respect to an investment advisor, because the investment advisor's, say, 1% annual portfolio fee would be taken against a smaller — and perhaps much smaller — portfolio balance, and, with respect to a stockbroker, because smaller accounts require, and can within-scale accommodate, fewer transactions and therefore lower commissions). So the money manager would be predisposed (or at least more inclined), subconsciously at minimum and perhaps quite consciously, to advise you to not withdraw the money — directly impacting the money manager's ability to help you make a good decision, as in:

Gee, for every $100k this person withdraws,
that's $1k less for me . . . forever. Somehow I
have this very strong feeling that I need to convince this
person that withdrawing this money would be a terrible idea.

Third, given their druthers and given their business models, money managers as a group want to work with only wealthy people, and, having only worked with wealthy people when I was a young lawyer, I know that my druthers do not flow entirely that way. So I've designed my business to work with people of all means, from all walks of life, of all ages, etc., and find that approach much more in keeping with the way I am in the world and want to continue being in it. *

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Some Thoughts About the Changing Money Management Industry

The manner in which all of this fits together today is that, by and large, for most people the money management landscape is bifurcated between stockbrokers (who are paid commissions) and investment advisors (who are paid percentage-of-portfolio fees), with the former in decline and the latter in ascendancy.

More specifically, many people believe that stockbrokerage on the human-broker-level is a dying business, what with the online stockbrokerages such as Schwab and E*TRADE and TD Ameritrade having competed very effectively against that part of the stockbrokerages' legacy businesses. Indeed, Dean Witter, EF Hutton and PaineWebber – classic retail-oriented, human-to-human stockbrokerages brands – have faded away, and so too, by and large, have hefty commissions.

Merrill Lynch, however, is still around (though Bank of America had to save it from its deathbed during the financial crisis of September 2008 by way of buying it lock-stock-and-barrel), but, by my experience, most money managers working at Merrill want to emphasize investment advising over stockbrokering, a trend that's emblematic of the rise of the investment advisors, for in this realm, portfolio fees rule and commissions are dinosaurs.

So over the long run we're looking at most folks having two basic options: using an online brokerage, or using an investment advisor.

And what does that look like in practice?

The online brokerages have gotten better and better and more and more cost-effective. I worked at E*TRADE in the late '90s and was familiar with all the competition back then as well as today, and can state unequivocally that the services the online brokerages provide today are vastly superior to those they provided in the late '90s. That means that, nowadays, nearly anyone who finds it easy to use, say, online banking, will also find it easy to use an online brokerage (though make no mistake: clicking "yes" on an investment purchase feels a whole lot different than clicking "yes" on a checking account transfer or billpay). Cost-wise, commissions for online stock trades back in the '90s were in the tens of dollars and differed depending on the sort of trade you were doing; these days commissions tend to be less than ten dollars (and sometimes considerably less than that) and most online brokerages have simplified their rate sheet down to a single price for almost any kind of trade.

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On the investment advisor side of money management, things are still quite human-based – but the humans who do investment advising often do not want to work with most other humans! Rather, they want to work only with people who have a lot of assets to manage and by "a lot" they often mean "much much more than you have." Think about it: if you're very good at what you do, and if your compensation is based solely on the number of dollars you manage, and if you want to make more money rather than less, then, all things being equal, you're going to steer your efforts towards ever-wealthier clients with ever-larger numbers of dollars for you to manage.

The result of that calculation and this overall trend is that, today, many investment advisors have policies about the smallest numbers of dollars they will manage for any given client, with many successful investment advisors stating that they have *minimums,* as these things are called, of, say, $1 million or more. And million-dollar minimums are not references to the total value of all your assets where so ever they might be, but, rather, are references to you having $1 million for the investment advisor to manage. So unless you have a million dollars invested in the stock and bond market, or something along those lines, these particular investment advisors are not interested in speaking with you.

This is where the term "wealth manager" comes in. The term, more a marketing term than a term of art, is used by many of the investment advisors stating that they have million-dollar and up minimums who, in addition to managing money for their clients, also provide general financial advisory services as well, including financial planning. Sometimes wealth managers provide these other services in exchange for a separate fee, usually thought of as a "financial planning" fee. Sometimes wealth managers provide these non-money-management services bundled-in with the money management services they provide, i.e. they include those other services as part of the bundle of services the client purchases via the portfolio fees the wealth manager takes out of the client's account. In this latter situation, the line differentiating between the other services that are included as part of the bundle of services from those that are not included as part of the bundle of services is sometimes left vague, sometimes amounting to something along the lines of, "If we think you're asking too much of us over and above the money management services we provide to you, then we'll charge you a separate fee."

Given the truism that *the business you're in is the one you get paid for,* my belief is that, if what you get paid for is managing money, then at the end of the day you are a money manager, not a financial planner or a wealth manager or general financial advisor or anything else. Many of those folks no doubt disagree with me on this!

At the other end of the spectrum are investment advisors with lower minimums, some of

whom have essentially no minimums. Included in this group are people first starting out as money managers who have no choice but to have low or no minimums, as well as a good number of people who pursue revenues in their businesses via as many avenues as they possibly can, including revenues from selling (insurance, annuities, group benefits, retirement plans, mortgages, etc.), and from stockbrokering and, yes, from financial planning too.

At some point, however, you have to ask yourself whether investment advisors with low or no minimums are good at what they do and whether they have the bandwidth to actually service all the low-dollar, high-quantity investing accounts they manage. And given the rise of passive investing discussed above, you also have to wonder whether money managers provide anything worthwhile at all in terms of money management. Indeed, you have to wonder whether wealth managers throw in extra services on top of their money management services because they know that the money management part of what they do is not of great enough value unto itself to warrant their fees.

So, with that, we've completed our overview of the overall investing world of today, as I perceive it, and we're now ready to turn to the question of how I might be able to help you improve your overall financial health via investing.

The Specifics of the Services I Can Provide to Help You Improve Your Overall Financial Health Via Investing:

I Can Help You Do Some of Your Own Investing Via Passive Investing, and I Can Help You Manage Your Money Manager(s), and I Can Also Help You Via Any Particular Combination of Those Two Approaches that Fits Your Particular Needs

I can help you improve your overall financial health via investing by either or both (a) helping you be smart about using money managers, and/or (b) helping you, as directly as you wish, do some or all of your own money managing via passive investing.

When first talking with you about investing, then, we'll put considerable effort into figuring out which is right for you, or whether you should do both.

For instance, a lot of people simply want to delegate their entire investing life to someone else. If that's you, then you should hire a money manager. Other people do not agree with my thoughts above about how hard it is over the long run for even great money managers

to buy good investments and avoid bad investments. They, too, should hire a money manager. Likewise, when investments are owned jointly between, say, siblings following the death of a parent, it can sometimes be a good idea to have a money manager serving as the independent person to whom the siblings can look, rather than having one of the siblings or the siblings as a group doing their own money managing. In these situations, as well as many others, using one or more money managers is often a great solution.

In my experience, money managers are salespeople through and through – obviously so for stockbrokers, since they're compensated via commissions, but it's also true for investment advisors, who, even though they're compensated via percentage-of-portfolio fees rather than by commission, drive towards that classic hallmark of the sales process, just like stockbrokers do: closing the sale. And that means that, like a stockbroker, an investment advisor is not likely to help you be smart about whether to hire him or her.

I, however, can and will.

It's also been my experience that, even when they've been hired, a good number of money managers are also not likely to help their ongoing clients be smart about how to best utilize the money manager's services. I, however, can and will.

If you wish to pursue the money manager route, then, my services would typically involve doing some or all of the following: (a) helping you locate money managers you want to consider using, (b) helping you select a money manager, or more than one, from the group of money managers you are considering using, (c) helping you derive good value from any money manager you already use or choose to use, (d) providing you with an independent opinion about how valuable the money manager's services are for you, and (e) helping you make a stay/leave decision on a money manager you already use and about whom you are having misgivings, etc., etc., etc.

If instead you wish to do investing without using a money manager, then my services for you would typically involve helping you be smart in the way you go about doing your own passive investing

More specifically, using a set of tools I've designed for this purpose, I'll first help you understand the concepts underlying the passive investing approach (the concepts are very easy for most folks to understand), and then we'll jointly design the strategy you're going to use, typically all the way down to (a) the actual investments you will buy, (b) how you will buy them (using auto-pilot buys over time is quite helpful for most folks), (c) how you will get your money to where it needs to be to do that investing, and (d) anything else needed to make it all happen. For most clients I also recommend that we jointly put together a short

explanation (usually called an *Investment Policy Statement)* about what their investing approach is all about, including sections about what would make them change it, how often and when they are going to fine-tune and maintain their investments (often called "rebalancing" or "guard rails"), how it should change with the passage of time and with the changing needs and objectives that come with the passage of time, etc., etc., etc.

From there I'll help you, to as great or little extent as you wish, put that strategy into effect and, also as you wish, help you, monitor, maintain and refine that strategy over time.

If you go this route and are like a lot of folks, then you very well might find that this process can both simplify and demystify the whole realm of investing for you, which, again if you are like a lot of folks, you might find to be quite empowering because the odds are pretty good that you will enjoy investing performance as good as, or better than, the after-fees/after-commissions performance of a lot of money managers. Most of all, you will realize that there really is not that much to being a decent investor, and that the only reason people think that it's quite difficult is that there are lots of forces within the financial services industries that benefit from having people think that way, because that helps those within the industry make more money in their businesses, at a very direct and unnecessary cost to all the folks who continue to think that investing is hugely difficult. It needn't be.

I can also help you make smart decisions about any retirement plans you might have through a current employer. Typically those plans require you to make investing choices and other decisions among a limited set of alternatives, and might include both passive, match-the-market sorts of investments and active, beat-the-market sorts of investments. Passive investments are much more prevalent in 401k plans and the like these days than they were say, fifteen years ago, but most retirement plans I see these days still favor the beat-the-market approach. Regardless of the choices the plan offers up to you, I can help you dial in a smart approach to it, considered both unto itself and as part and parcel of your overall approach to all your other investments.

In summary, then, I can help you with the investing part of your overall financial health in lots of different ways, some of which involve you taking the reins and doing something that many people find to be surprisingly easy once they do it, and other parts of which help you be smarter about how you use money managers.

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Carve-Outs for Certain Investments:

I Can Help You Avoid Investing in Companies You Wish to Not Support Via Your Investments

Many of my clients feel strongly about *not* investing in certain sorts of companies (e.g., tobacco companies) and/or feel strongly about heavily investing in certain sorts of companies (e.g., solar power companies) and in this way pursuing what is often called *socially responsible investing*, or *SRI.* A close cousin of SRI involves more sophisticated approaches mostly in-scale with the needs of wealthy people, called *impact investing*.

I am happy to custom-tailor any investing work we do together to your particular needs in this regard.

Miscellaneous Disclosures About Investing Services that are Required in this Sort of Brochure and Which are Not Applicable to My Services:

I Do Not Have Any Disclosures to Make About Wrap-Fee Programs or About the Amounts I Manage for Clients on a Discretionary vs. Non-Discretionary Basis

As I first noted on Page 24, above, I do not provide the common money management services most money managers provide today. Most of the people and firms with brochures such as this brochure, however, do, so the brochure template this brochure is following includes some topics that are very much a part of those businesses but not a part of mine. In this brochure my approach to these topics is to first describe those topics briefly, and to then talk about why those topics pertain to services and practices that I've chosen to not be a part of my business, and, finally, to talk about how I can be of help to you if you are working with, or considering working with, someone who's made a different choice in his or her own work.

Investment advisors typically offer something called a "wrap fee program." Without calling it that, I mentioned a typical wrap fee program up above, when I talked about an investment advisor charging an annual portfolio fee of 1% per year of the assets the money manager is managing; that is a typical wrap fee program. I do not charge portfolio fees and I do not provide wrap fee programs, so I have no disclosures to make on this topic.

Similarly, since I do not provide the common money management services of today, I do not

have any disclosures to make about the number of dollars I have under my management, and therefore also have no disclosures to make about the number of dollars I manage for clients on a discretionary basis and the number of dollars I manage for clients on a non-discretionary basis (for more about this distinction, please see the discussion under the caption Investment Discretion, on Page 63, below).

If you ever are hiring a money manager who provides common money management services, though, this information can be quite helpful (if more than a little bit gossipy and how-big-is-your-boat'y). Good money managers typically have tens or hundreds (or more) of millions of dollars under their management. Whenever you see those numbers you can get a good idea of what sort of gross assets under management fees those sorts of gathered-assets would generate by simply figuring out what 1% of the total is, e.g., if a money manager has $100 million in assets under management, then that money managers' gross percentage-of-portfolio fees would be in the neighborhood of $1 million.

And if the numbers a money manager provided to you are numbers for the firm for which the money manager works, then be sure to get information (preferably in writing) about the amount of gathered assets your money manager — *the person, not the firm* — actually manages.

Fees and Compensation

Introductory Remarks
About My Compensation:

It Comes Entirely and Directly from You, and You are Directly in Control of It, as Opposed to the Often-Roundabout Ways in Which Many Money Managers are Compensated

Compensation is of the essence to all commercial relationships, and this is doubly true with respect to the sort of commercial relationships I establish with clients — relationships about helping people improve their overall financial health.

I therefore take the opportunity here to set out in detail some of my theories of compensation, both in terms of how I am compensated and in terms of how that differs from the way other financial services providers are compensated.

All of my compensation — *all of it* — comes from you. And, at least the first time you pay me, you might well be doing so towards the end of a face-to-face contract-signing meeting,

during which we, together, customize the work to your particular situation and, in doing so, arrive at an agreed-upon fee, at which point you, looking at me straight in the eye, will write out a check with my name on it. From then on, if you continue working with me, it's likely you'll either stick your check in the mail or send an e-check to me through your bank, but that first time you very well might be paying me eye-to-eye and face-to-face, as we embark on something that we all hope will be a big life-improver for you.

It comes as a surprise to a lot of folks that this *look-you-in-the-eye-and-pay-you* idea — so common in so many commercial transactions — differs markedly from the way in which most financial services providers are paid, because, as it turns out, most of them are paid by someone other than their customers, and most of them are seldom, if ever, paid directly by a customer writing out a check with the financial services provider's name on it.

For instance, someone selling insurance serves as a distributor for one or more insurance companies; when you buy an insurance policy from that person, you write your check out to the insurance company, who then pays the agent a commission for selling the policy to you. Typically, there's no add-on cost for the insurance salesperson's commission; the commission is built into the price of the product itself.

For another instance, a stockbroker serves as a distributor for a stockbrokerage; when you buy or sell an investment through a stockbroker, your account with the stockbrokerage for which the stockbroker works is dinged for a commission (which, unlike in the insurance context, typically appears as an easy-to-see added-on charge, over and above the price of the investment itself), and the stockbrokerage then pays the stockbroker part of that commission and keeps the remainder of the commission for itself. In addition, and as mentioned a bit later on in this brochure, stockbrokers and stockbrokerages have other ways of making money off of the money you have invested with them, such as the back-end and on-going fees many mutual funds extract from you, as well as other revenues that come via entirely other avenues.

In each of these instances, you do not have a 100% direct commercial relationship with the person with whom you directly interact, in the sense that you do not pay that person, and in the sense that, when selling you a product, that person is working for someone else — the insurance company or the stockbrokerage — and, in many of the sense of the phrase, is *not working for you.*

Now let's look at the investment advisor context. The relationship here is more direct, in that the investment advisor does, in most senses of the phrase, work for you, and in the sense that you do, in fact, pay the investment advisor directly, usually via a percentage-of-portfolio

fee, typically in the neighborhood of 1% of the account(s) the investment advisor manages for you each year. But there is still no eye-to-eye when it comes time to the moment of paying. Instead, when initiating a relationship with you, investments advisors will typically require you to sign a document that entitles the investment advisor to get paid out of the account(s) your investment advisor is managing for you. I find that many people who use investment advisors have, as a result of this arrangement, only a general idea about how and when they are paying their investment advisors, and only a general idea of the calculation used to determine the amount of each payment, while a good number have no idea that they are paying anything whatsoever.

In addition, some, though by no means all, investment advisors who receive their compensation via percentage-of-portfolio fees auto-paid out of your account have other ways of receiving compensation, from sources other than you, for managing your money in certain ways rather than in other ways.

All in all, then, the ways in which most money managers receive compensation can be quite complicated and roundabout.

This complicated, roundabout nature can lead to some undesirable incentives. Insurance agents, for example, if motivated solely by a short-term desire to generate maximum commissions for themselves, will sell high-commission-paying insurance policies to their customers even when those insurance policies are not in the customer's best interests, while similarly motivated stockbrokers will do whatever it takes to get their customers to do *too many* transactions (a tactic called *churning)* because the more transactions their customers do, the more money the similarly motivated stockbrokers are likely to make.

Likewise, similarly motivated investment advisors charging percentage-of-portfolio fees have an incentive to do *too little* on their clients' behalf (a tactic called *reverse churning),* because their compensation has no direct connection to the amount of activity they provide to a given client, and because the less activity they devote to any given client, the more clients they can have and the more revenue they can likely generate (there are only so many hours in the day . . .).

Similarly motivated investment advisors who also generate revenues other than via percentage-of-portfolio fees might also prefer to sell their customers products that generate fees and other compensation over and above those percentage-of-portfolio fees versus those that do not, and might also steer clients towards accounts and products which use percentage-of-portfolio fee compensation arrangements even in situations in which their clients would be better served via accounts which use commission compensation

arrangements rather than portfolio-fee compensation arrangements.

And the list goes on.

With so many payment streams involved, and so many ways in which compensation incentives can bias money managers towards doing the wrong thing, it's hard to know whether a money manager with whom you are working is more beholden to you or more beholden to someone other than you.

By contrast, I receive no compensation from anyone other than you, which means that, when we are working together, there are no other people in the room with us, looking over our shoulders, so to speak, sticking their noses into what you might be deciding and into what I am advising, inserting their own financial interests into the mix — surely a context in which the only financial interest that should matter is yours and yours alone.

In addition, I have striven over the years to make my compensation more and more aligned with your interests, with the idea being that my compensation closely tracks the value you derive from my services, and more and more transparent, so that you can easily understand how I am compensated, and how to dial in the cost of working with me to an appropriate level. I very much welcome your comments about how successful I have been in these regards.

And now it's on to the three types of compensation I use.

The Three Compensation Arrangements I Use:

Per-Project Compensation, Hourly-Fee Compensation and Meeting-Cycle Fee Compensation

Depending on the sort of work I am doing with you, we'll use one of three compensation arrangements: a per-project compensation arrangement, an hourly-fee compensation arrangement, or a meeting-cycle fee compensation arrangement.

In general, I use (a) the per-project approach (you can also think of it as a "flat fee" approach) for standardized work, such as for one of the Whole-Shebang offerings, (b) the hourly-fee approach for work that is not standardized and is not necessarily oriented towards two-hour-plus working meetings, and (c) the meeting-cycle approach for consulting work that is oriented towards two-hour-plus working meetings.

The hourly-fee approach is quite rare in financial services but quite commonly used by

professionals who provide advice as a service (e.g., accountants, lawyers, therapists, business consultants and the like), as well as by tradespeople (e.g. plumbers, carpenters, electricians, builders and the like); I find in my work that it can be quite useful in certain contexts in which the output of the work benefits from the client having an incentive to do more of the work on their own and to use my services less. Using hourly fees can, however, sometimes lead to the so-called "tyranny of the clock" – i.e. the situation in which the figurative and literal ticking of the clock while work is underway plays too important a role in determining the flow and output of the work – while the meeting-cycle approach can reduce that tyranny while at the same time taking into account the unpredictable nature of certain kinds of consulting work.

Now, to be fair, just like commissions and percentage-of-portfolio fees, all three of these compensation arrangements can create incentives that are not aligned with the interests of clients. For instance, if I, when working on a per-project compensation basis, were motivated solely by a short-term desire to generate maximum revenue, then I would do as little as possible because I am being paid the same amount regardless of how much I do. Likewise, if I, when working on an hourly-fee or meeting-cycle basis, were similarly motivated, then I'd try to do everything as slowly as possible – *v e r y s l o w l y* – because the longer it takes for me to get something done the more I get paid.

However, I, like the professionals mentioned above, find these compensation arrangements to be the best for establishing long-term, trusted, consultative, advising relationships. And they work well for establishing short-term trusted consultative advising relationships too; their use by the tradespeople mentioned above is a testament to their being among the better ways to determine an amount of compensation that's fair to all involved.

So that's the basis for my overall approach to compensation. Now it's on to the specifics, as follows:

1. **Per-Project Compensation.** Clients typically pay me a per-project fee for work which, from the outset, I know to entail a fairly predictable workload and to result in the client receiving a fairly predictable value. So if you are undertaking, e.g., the first phase of one of the Whole-Shebang offerings — the Understand-It-and-Plan-It phase — you would typically pay me a per-project fee because that work involves a process that I have honed over the years and which involves an amount of work that I can fairly readily predict at the onset of the project and also results in you receiving value, from going through that process, on a scale I can fairly readily predict at the onset of the project. We will figure out the amount of the per-project fee in conjunction with figuring out what the scope of work for your particular Understand-

It-and-Plan-It work will be.

When using a per-project fee, it sometimes happens that, once we get underway with the work, something comes up which requires a change of plans and, with that change of plans, a change in the scope of work. This would be the case if, say, midway through your Understand-It-and-Plan-It work, your situation changed suddenly and unexpectedly, and the work had to change along with it.

For example, consider the situation in which a client's parent unexpectedly dies and the client inherits property substantial enough in value to totally change the client's financial life – it's a *life-changing number*, so to speak – and open up all sorts of possible lifestyle changes. This would be a change of course that takes us outside the scope of work we intended to pursue at the outset of the work.

To reconcile the use of a fixed-fee/fixed-scope approach to the Understand-It-and-Plan-It work on the one hand, with the desirability of remaining capable of going where the work leads and being able to respond to changing circumstances on the other, the agreement I use with clients includes a clause patterned after compensation arrangements used in other contexts in which the basic work to be done is evident, but in which, once the work begins, the need for other, different work can arise, such as house remodeling (e.g., you open up a wall to run some wiring and find that there is dry rot in there that you have to fix before you run the wiring — something not at all expected).

Contracts in these contexts typically establish a base compensation for the basic services to be provided, i.e., the services the parties envision being provided under the contract at the outset of their relationship, but then also establish a mechanism which assists the parties in arriving at a fair and appropriate compensation for services rendered apart from those basic services, i.e., work that, though not included within the scope of work from the outset, the parties later agree should be performed.

In a like vein, my client contract when using a per-project compensation calls for a base compensation for basic services, and establishes a mechanism that, should you wish to receive services in addition to the basic services, assists us in arriving at a fair and appropriate compensation for those services separate from the compensation for basic services. Alternatively, we can always stick with the plan and address the unexpected issues later, if at all.

2. **Hourly-Fee Compensation.** Clients typically pay me on an hourly-fee basis for consulting services I provide to them where the size and scope of the work is not

knowable up front and/or it would behoove the work for the client to have an incentive to do as much of the work as possible rather than having me do it for the client. This well describes the Get-It-Done work I do with many clients, as well as some of the consultations.

3. **Meeting-Cycle Compensation.** Clients typically pay me on a meeting-cycle basis when we undertake a consultation that (a) we know will focus on having a series of meetings, but (b) we do not know how many meetings we will need. I also use this form of compensation for annual update meetings with clients; in this context, the meeting-cycle approach is tantamount to a per-project approach, with the project being a single meeting.

Within those basic parameters, I am always happy to consider other fee arrangements a client wishes to use, and the fee is always negotiable.

So that's the basics. If you've been wondering about what the actual numbers are – a very good thing to wonder about! – then wonder no more, for they are directly below.

Compensation Customization:

You and I will Jointly Agree on the Amount of Compensation for the Work You Pursue, Depending on Various Factors that You and I Will Discuss

The setting of the particular fee for a given client varies according to the (a) the scope of work I am undertaking, and by (b) the complexity of the work, and (c) the value that both I and the client project the client will derive from the work, and (d) the amount of time I project I will devote to the work, in terms of both the elapsed time between the start of the work and the end of the work, and in terms of the actual time I will directly devote to the work, and (e) anything else you and/or I deem relevant.

In addition, if I am working on a per-project fee or meeting-cycle fee, then, we will also agree on the portions of the per-project fee or meeting-cycle fee which would be refundable if a termination occurs as of a given step in the process we are embarking upon. These percentages are also negotiable.

Since all of these aspects of a given client's work varies quite a bit, so too does the amount of my compensation, with per-project fees for Understand-It-and-Plan-It work of the Whole-Shebang offerings ranging from $2,000 to $10,000 and up, and hourly fees ranging from $325 to $475 per hour and up, and meeting-cycle fees ranging $1,000 to $2,500 and up.

Compensation Payment Terms:

Clients Pay All Per-Project Fees Upfront, and Most Hourly and Meeting-Cycle Fees Upfront, but Not More than Five Months Prior to the Time I am Likely to Earn the Fee

You will pay most of my compensation in advance. For instance, if you are paying a per-project fee, then you will pay that per-project fee in advance, and we will typically complete the work of that project within two to four months.

For another instance, if you are paying me on an hourly-fee or meeting-cycle basis, then, before we begin the work, you will pay me an amount that I estimate will cover the fees you'll incur during the upcoming billing period, which is typically one to four months long, with three being typical. At the end of that period you'll then receive a bill from me that applies the money you paid in advance to the fees you incurred during the period, and also states an amount that, after applying any amounts you have remaining on your account with me, I estimate will cover the fees you'll incur during the upcoming billing period.

That bill will include (a) an itemized bill showing the services you received during the period and the fees for those services, and (b) a statement showing your running account balance (i.e., the amounts you have paid to me minus the fees you have incurred with me, and (c) a Requested Payment on Account, which is the amount that, along with any amounts you have remaining on account with me, I estimate will cover the fees you'll incur during the next billing period; and (d) a Zero-Out-the-Account amount, which is the amount you need to pay to me, or I need to refund to you, as the case might be, to bring the account to a zero balance.

In any event, I do not ask for payment of any fee more than five months prior to the time the fee is incurred.

Other Fees and Expenses:

The Only Fees I Charge are Those Described Above, and I Do Not, as a Matter of Standard Operating Procedure, Pass Any Expenses Through to You, So that, if the Work We are Doing Together is Going to Lead Me to Incur Unusual Expenses on Your Behalf, and If I Want to Pass Those Unusual Expenses Through To You, Then You and I Will Talk About It Ahead of Time

The fees described above are the only fees I charge clients on a regular basis.

I do, however, reserve the right to pass through to you costs I incur on your behalf in

providing services to you over and above the ordinary costs I incur. If I do this, and if I have advanced warning that I am going to incur costs such as these, then I'll give you notice ahead of time that I intend to pass those costs through to you.

For instance, if you ask me to travel to meet you, or otherwise ask me to travel on your behalf, then I will speak with you ahead of time about passing through to you, over and above the other fees for that work, my out-of-pocket costs for that travel.

Compensation from the Sale of Securities:

I Charge Only Per-Project Fees and Hourly Fees, and Therefore Do Not Charge Any of the Common Money Management Sorts of Fees, Such as Portfolio Fees or Service Charges from the Sale of Mutual Funds

Given the nature of the compensation arrangements I use, as described above, it follows that I will not be charging you the fees that arise in the common investment advising context (e.g., percentage-of-portfolio fees) or stockbrokering context (e.g. commissions for buying or selling stocks or bonds and the like) and that I will also not be receiving fees from mutual fund companies or any other financial services provider for selling their products.

This stands in contrast to the practice of many money managers who get paid in multiple, roundabout ways from multiple angles and from multiple parties, sometimes even getting paid more than one way for a given money management act, such as getting someone to buy a mutual fund. And that's not even talking about the payments that come from some product sales year-after-year-after-year-after-year, all of which, when all is said and done, are mostly borne by the "someone" who bought the product.

Again, all of my compensation — *all of it* — comes from you. There is no roundabout. There is nothing hidden away. *You* pay me, and you know how much you are paying me.

Refunds Upon Termination:

I Refund Any Funds I Hold on Account for You that, as of a Termination, I Have Not Then Earned

Upon a termination, I will refund to you any amounts you have paid to me but which I have not earned, and I will ask you to pay me any amounts I have earned but which you have not paid. These amounts will be shown on a final billing I send to you.

If we're working on an hourly-fee basis at that time, then I'll calculate who owes what using

the same rates we used before the termination, and if at that time we're working on a per-project fee basis, then I'll calculate who owes what using the particular refund percentages we agreed upon during the contract-formation process.

Miscellaneous Disclosures About Compensation that are Required in this Sort of Brochure and Which are Not Applicable to my Services:

I Am Compensated Directly By My Clients, and Not in the Roundabout Way that Many Money Managers are Compensated, and Therefore Have No Disclosures to Make in this Regard

As I first noted on Page 24, above, I do not provide the common money management services most money managers provide today. Most of the people and firms with brochures such as this brochure, however, do, so the brochure template this brochure is following includes some topics that are very much a part of those businesses but not a part of mine. In this brochure my approach to these topics is to first describe those topics briefly, and to then talk about why those topics pertain to services and practices that I've chosen to not be a part of my business, and, finally, to talk about how I can be of help to you if you are working with, or considering working with someone who's made a different choice in his or her own work.

Most of the disclosures money managers have to make with respect to compensation go to the complicated and often roundabout nature of their compensation, as described on Pages 32 through 35, above.

For instance, many people who have looked carefully at their mutual fund ownership have wondered about the alphabet smorgasbord of mutual fund shares classes, which not long ago, was mostly limited to A shares, B shares, C shares and D shares, but which, more recently, seems to have taken up residence throughout the entire alphabet. As it happens, money managers get paid differently depending on what class of shares they buy and sell for you, with some of the share classes (and therefore ultimately you) paying your money-manager up front, some of the share classes (and therefore ultimately you) paying your money manager at the backend, and some of the share classes (and therefore ultimately you) paying your money manager throughout your entire ownership of the shares.

Since I do not directly manage money, and since all of my compensation comes directly from my clients, I do not have any disclosures to make about my practices vis à vis my compensation from mutual fund share classes.

I am happy to help you, however, analyze the sorts of mutual funds share classes you have

bought (or have been sold) in the past, and help you judge, in part based on those share classes, how any money manager involved in selling them to you was treating you.

Along the same lines, the brochure template requires a money manager's brochure to specifically disclose to the money manager's clients (a) that the client has the option to purchase investment products that the money manager recommends via other brokers or agents not affiliated with the money manager, (b) whether commissions and other compensation the money manager receives for the sale of investment products accounts for more than half of the revenue the money manager receives from clients (if so, the odds are higher that your money manager will churn your account), and (c) whether the money manager receives commissions or markups *in addition to* advisory fees the money manager charges clients (sometimes thought of as "double-dipping"), or alternatively, whether the advisor reduces those advisory fees to offset the money manager's receipt of commissions and markups.

As you can imagine, all of the underlying business practices covered in that list can create incentives and disincentives for the money manager that might not align the money manager's own interests with the money manager's clients' interests.

I am happy to help you analyze the extent to which a money manager has designed his or her business practices to align the money manager's interests with yours.

Performance-Based Fees and Side-by-Side Management

This Part of the Brochure Template is Inapplicable to Me:

I Do Not Pursue the Business Practice, Used by Some Money Managers When Working with a Client Who has Placed Multiple Accounts in the Money Manager's Care, of Charging Performance Fees Against One of the Client's Accounts While Charging Hourly or Percentage-of-Portfolio Fees Against Another of the Client's Other Accounts

This part of the standardized brochure template is inapplicable to the work I do.

As noted on Page 5, above, my approach in this sort of situation is to say a few words about the topics the inapplicable part of the brochure template focuses upon, and to then talk about why that part of the brochure template is inapplicable to my business.

Here those topics are performance fees and side-by-side management. I begin the discussion of performance fees by noting that some money managers base some or all of their compensation on the extent to which the portfolios they manage perform better than a given benchmark. As I use the term here, a "benchmark" is an essentially fictional portfolio of investments that a financial services company designs to track a given sort of investment category. That company then publishes the measure of that benchmark each day during which investments in that investment category are being traded, and people use that measure as a general gauge of how much that particular investment category has appreciated or depreciated that day. Some benchmarks, because they have been continuously published for very long time periods, present a wealth of data about the general price levels of given investment types over a very long time.

For example, Standard & Poor's owns a widely-used benchmark that dates back to 1926, called the S&P 500®. As of the first writing of this sentence in early 2015, the S&P website stated that, *The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities.*

A money manager whose value proposition for clients is summarized in the statement, *I can help you beat the S&P* might therefore wish to use a compensation arrangement in which total compensation increases and decreases to the extent that the money manager is able to actually provide you with that value, i.e. the extent to which s/he helps you have a portfolio that beats the S&P 500®.

Fees based on this type of compensation arrangement are known as "performance fees." You can think of them as the ultimate "you do good/I do good and you do bad/I do bad" sort of compensation arrangement for money managers to use. You can also think of them in terms of the common saying of, *putting your money where your mouth is.*

Note that performance fees differ from percentage-of-portfolio fees in that percentage-of-portfolio fees are calculated without regard to how well the assets the money manager manages perform relative to a benchmark, making possible plenty of "you do not-so-great/I still do great" scenarios. For instance, imagine that a money manager is managing a portfolio with the explicit goal of outperforming the S&P 500®, and also imagine that the portfolio the money manager is managing goes up 7.5% over a time period during which the S&P 500® went up 10%. From the client's perspective that is a not-so-great result (the money manager failed to help the client have a portfolio that beats the S&P 500®) but the money manager's compensation nonetheless will have gone up 7.5% (assuming that the client did not withdraw or add to the dollars invested in the portfolio).

In this way, percentage-of-portfolio fees, because they apply in an absolute manner, are arguably less aligned with the client's interests than are performance fees; they make it possible for a money manager's compensation to increase simply as a result of the market as a whole broadly going up in value, thereby carrying the majority of investments up with it (though most assuredly money managers also get paid *less* when the market as a whole broadly goes *down* in value, thereby carrying the majority of investments down with it).

Issues can arise, though, when money managers charge performance fees against one account that they manage for a given client while at the same time charging an hourly fee or percentage-of-portfolio fee on one or more other accounts they are managing for the same client. That "side-by-side" management," as it is called, can create some untoward incentives for the money manager, and those untoward incentives have hurt people in the past, so money managers using that sort of business practice have to make some disclosures in their brochures about how they avoid having those untoward incentives make them do the wrong thing for their clients.

I do not charge performance fees, so this entire section of the brochure template is inapplicable to me.

Types of Clients

My Clientele is Quite Diverse:

I Work with All Sorts of People
from All Sorts of Walks of Life and
with All Sorts of Financial Situations, and
Do Not Seek to Work Only with Wealthy People

I have designed my business to be able to serve people from most walks of life pursuing most sorts of lifestyles and, partially as a result, have a very diverse clientele. I have clients ranging in age from young to old, ranging in means from poor to rich, and ranging in financial knowledge from low to high. And I have no minimum financial requirements that clients must meet except that (a) they must be able to pay me for my services, and (b) I must judge, as accurately as I can ahead of time, that I will be able to provide them value commensurate with what they pay me.

This markedly differs from most financial planners and money managers, who use business models heavily biased toward *HNWs* and *UHNWs*, which is industry jargon for "high net worth" individuals and "ultra high net worth" individuals and most of who, if given their

druthers, would work exclusively with ultra, ultra, ultra, ultra, ultra, ultra UHNWs (with the number of "ultra"s in the line above being driven by formatting more than anything else). This readily results from their use of percentage-of-portfolio fees (e.g., they receive a fee equal to 1% of the portfolio they are managing for you each year), which creates incentives to seek out new clients with ever-larger portfolios to manage.

The diversity of my clientele is in keeping with my generalist approach (as discussed on Page 7, above), in the sense that working with a diverse clientele allows me to focus on general, universal truths that cut across all financial lives – *many such truths exist!* – and to devise tools and experiences that help illuminate the financial lives of the young as well as the old, of the poor as well as the rich, and of the financial knowledgeable as well as the financially not-so knowledgeable, helping one and all be smarter in their financial lives.

Methods of Analysis, Investment Strategies and Risk of Loss

The Method of Analysis I Use:

Our Investing Work Begins with Me Helping You Understand the Results of the Decisions You've Made Over the Years About How to Store Your Saved-Up Money, and Then We, Together, Crafting a Set of Decisions About How You Can More Smartly Store Your Saved-Up Money Going Forward

When helping you with your investments, the first thing we will typically do is, together, look at how your investments are currently divvied up between financial investments (i.e., what most people typically think of as stocks and bonds and such) and non-financial investments (such as real estate and business interests).

Next, we will together look at how your financial investments are divvied up among different account types (i.e., accounts which are subject to taxation currently vs. those that are tax-advantaged in some way, and/or accounts which are designed for a specific purposes, such as health savings accounts and education savings accounts), and by asset type (e.g., cash, bonds, domestic stocks and international stocks, etc.)**.**

Once we have together seen all that, we will discuss the issues, if any, arising from the way in which you have chosen to store your saved-up money, dividing those issues into those which require relatively immediate attention (e.g., you have an entirely inappropriate way of storing your saved-up money) vs. those that require medium-term attention (e.g., you plan

to buy a house in five to ten years and the saved-up money you've earmarked for a down payment is currently invested in stocks, so you will soon need to switch that saved-up money over to investments that are less likely to fluctuate a lot price-wise) vs. those that require long-term attention (e.g., *The Big One* for most people, which is how to generate a paycheck-like cashflow once you stop working).

Along the way I'll ask you to read various pieces I've written about investing, helping you understand how risk and reward are related, and helping you understand that there is no reward without risk, which in this context means that, if you want your investments to grow in value, then you must be prepared for your money to also shrink in value, knowing that, over the long-run, if history mostly repeats itself, the odds are good that the growth will exceed the shrinkage, but that in the short-run you should be prepared for some stomach-churning shrinkages.

If you are investing in bonds (which I believe most people should be doing, to a greater or lesser extent, depending on lots of factors that we will discuss)(and if you don't know what bonds are, not to worry: I can help you understand them), then we will also spend some time talking about why bond prices tend to go up when interest rates in general go down, and vice versa, and I'll also help you understand how bonds can serve as a ballast for your overall investments, in the sense that, while stock prices tend to go up and down quite a lot and in a hard-to-predict manner, bond prices tend to do so much less so, and in a bit more easy- (though still by no means easy) to-predict manner.

Investing Strategies I Will Help You Use If You Decide to Do Your Own Investing Pursuant to my Recommendations:

You'll Be Using Passive Investments, Rather than *Hoped-for-Market-Beating* Investments, via Low-Cost Mutual Funds or Exchange Trade Funds

As noted above, the main why I directly help clients improve their overall financial health via investing is by helping them design and implement very simple passive investment strategies.

If you wish to go this route, then we'll together design an investment approach relying on investments that are designed to match the performance of a particular chunk of the market as a whole (often called *index funds*, but which in this part of this brochure we'll call *match-the-market-chunk sorts of investments)*, e.g., matching the performance of the market chunk consisting of all U.S. stocks, or the market chunk consisting of all U.S. bonds. We'll

then together figure out what proportion of each of those market chunks you want to own at a given time, as well as where to buy them and how to go about buying them and then managing them over the long run.

If you're like most clients, this will involve you investing in very low-cost mutual funds through an automated purchasing program (if this is you, I will help you understand what mutual funds and automated purchasing programs are), so that all you have to do is make a series of decisions upfront and put them into effect (with my help or on your own, as you decide), after which you'll have a very low-maintenance investing strategy in place.

In doing so, the only costs you will bear are (a) the fees you will pay to me for helping you figure out and, if you wish, maintain your strategy, and (b) the costs of buying and owning the investments you will use.

For clients who want to invest in a few proportionately large transactions and who are OK with having to hand-enter purchase transactions (rather than having them happen via an automated purchasing program), I'll often recommend that they buy very low-cost exchange traded funds (also known as ETFs) from a very low-cost online brokerage (if this is you, we will talk a good deal about what exchange traded funds are and good places to buy them). Most often, though, clients prefer the mutual funds and automated purchasing strategy mentioned above.

Before going on, I have one detail to add, which is that, when I talk about investments that are designed to match the performance of a particular chunk of the market, that is a bit of short-hand, because all of those match-the-market-chunk sorts of investments have embedded fees that are paid out of your invested money; those embedded fees have fallen precipitously since the 1990s, and are now often in the neighborhood of, say, ~0.25% per year or less, with some as low as 0.05% per year.

To put that into perspective:

0.25% of $10,000 is $25 and .05% of $10,000 is $5

0.25% of $100,000 is $250 and .05% of $100,000 is $50

0.25% of $1,000,000 is $2,500 and .05% of $1 million is $500

In the world of retail investing as we have thus far known it, these fees are quite low.

So if the market chunk the match-the-market-chunk sort of investment is designed to match goes up 2% in a given year, and the embedded annual fees are 0.25% per year, then the price of your shares in that investment would go up 1.75% that year (the 2% gain minus

the 0.25% embedded annual fees, netting out to a 1.75% gain), while if the market chunk goes down 2% in one year, then the price of your shares in that investment would go down 2.25% (the 2% loss minus the 0.25% embedded annual fees, netting out to a 2.25% loss).

By comparison, investments that are designed to beat the performance of a particular chunk of the market often have embedded annual fees exceeding 1% per year, and as noted throughout this brochure, many investment advisors charge percentage-of-portfolio fees in the neighborhood of 1% per year (which is usually over and above the fees embedded within the investments they manage for you, meaning that, if you use an investment advisor who charges you a 1% per year portfolio-fee to manage your money and that investment advisor in turn uses investments that have embedded annual fees of 1% per year, then the annual cost to you for having that investment advisor managing your money via that sort of investment is 2%, with half of that going to the mutual fund and the other half going to your investment advisor).

These cost percentages can, of course, change over time. And while in recent years the changes have been mostly downward, it's entirely possible that costs will go up in the future.

Investing Strategies I Will Help You Use If You Decide to Do Your Own Investing and Wish to Follow Your Own Strategy:

I Will Help You Accurately Measure the Performance of Your Investments in the Account in Which You are Doing Your Own Investing Pursuant to Your Own Strategy, and then Help You Decide Whether to Stick with, or Stop Using, Your Own Strategy

Some of my clients wish to do their own investing in stocks of companies; this is often the case with my clients who come from the technology world, and at times with others wishing to do this as well.

If you wish to do this, then I will typically recommend that you monitor, or have me monitor, the performance of that isolated account for a period of time, and then, after, say, a year or two, that you then decide whether having the isolated account as part of your plan is working for you. From there I'll help you act according to what you have decided.

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The Ways in Which I May be of Service to You If You Use a Money Manager:

I Will Help You in Any Way You Wish, Ranging from Being Out of the Picture Until and Unless You Seek my Help, to Being Directly Involved on an Ongoing Basis

As noted above, I think a lot of people are better off managing their own money than they are hiring a money manager to do it for them. That said, I do not have any blanket advice applicable to everyone, and I certainly do not blanketly declare that no one should ever use a money manager.

Indeed, if you have a considerable sum of money to invest, or if you simply want nothing whatsoever to do with the nuts 'n bolts of investing but are OK with managing a money manager, then I think you should consider using one or money managers to manage at least part of your saved-up money.

If you do, I can serve you in various ways, ranging from being very much involved in helping you make smart decisions vis à vis money managers, to being out of the picture until and unless you bring me in to help you. It's your call.

If you do bring me in to help, then typically one of the first things we'll speak about is how to smartly use my services as a supplement to your money manager's services, so as to not be paying twice for the same thing. For instance, if you are paying your money manager a percentage-of-portfolio fee, and if you are paying me on an hourly- or per-project fee basis, then you and I will talk about how to get the optimal amount of services from your money manager in exchange for the percentage-of-portfolio fee you are paying to your money manager and the optimal amount of services from me in exchange for the hourly- or project-fee you are paying to me.

From there the work varies a lot, and needs to be custom-tailored to your particular situation. For instance, if you have not yet hired a money manager, then I can help you develop a list of money managers to consider (ideally some of which you add to the list by speaking with your friends and acquaintances to find some worthy prospects), and then help you be smart about how to interview and choose among your prospective money managers.

In addition, a big part of the help I can provide to you as part of the money manager hiring process is to help you understand the incentives and disincentives the money manager's business model creates for the money manager, which would include helping you understand the regulatory disclosures your money manager is required to provide to you (which very well might be a brochure following the same brochure template as this one).

And then, once you've hired one or more money managers, I can help you be smart about having a money manager in your life. Generally this involves me serving as a second set of eyes on the work being done on your behalf by your money manager(s), and helping you gauge how well you're being served by your money manager(s). And, separate from all that, I can help you understand how the money being managed by your money-manager(s) fits in with your other saved-up money which is not being managed by your money manager(s).

Finally, if need be, because, for example, things are not working out with your money manager in the way you had hoped, I can help you have one of those difficult conversations with your money manager and/or help you fire your money manager *sans* conversation.

In any event, if I am helping you hire, manage or fire a money manager, we will discuss any incentives and disincentives to which I might be subject and which might impact my advice to you in this context. If you would like to know more about this, please ask me about my Theory of Triangular Relationships which, briefly summarized, says that three-party relationships present challenges not present in two-party relationships.

Risks of Loss If Your Pursue the *Very-Likely-to-Match-the-Market-Chunk* Strategy:

Your Risk of Loss Will be Primarily *Market* Risk, Rather than *Idiosyncratic* Risk

If you choose to include a *very-likely-to-match-the-market-chunk* strategy as a component of your overall financial health, the risk of loss you'll run will be almost entirely *market r*isk*,* rather than *idiosyncratic* risk.

We'll talk about this distinction in some detail if you pursue this sort of strategy. For now I'll briefly note that the price of shares of stock in a company can move up or down due to, among other reasons, two distinct risks: the first is the risk that the particular company in which you own shares does well or poorly, and the second is the risk that the market as a whole – the market in which that particular company exists and within which it does business – does well or poorly. So, for instance, when an investment loses value, the question is, did the investment lose value because the company did badly, or did the investment lose value because everything in the market was losing value? The first explanation focuses on *idiosyncratic* risk and the second on *market* risk. Most often both sorts of risk are present.

A familiar example for most people is Apple stock. From September of 1984, when it first

became possible for members of the general public to buy shares of Apple stock, through to the untimely death of Steve Jobs in October of 2011., we've seen periods when the price of those shares went up a lot, and periods when the price of those shares went down a lot, with the years in which the price went up mostly (but not entirely) coinciding with periods during which Steve Jobs was intently running the entire company's affairs, and the years in which the price went down mostly (but not entirely) coinciding with periods during which Steve Jobs was mostly or entirely absent from the company on a day-to-day basis.

This is a good example of idiosyncratic risk. Steve Jobs's workload at Apple over the years had a great deal to do with the price of Apple stock, but almost nothing to do with the price of, say, General Motors stock or Proctor & Gamble stock. This factor — the *Steve-Jobs-being-at-Apple-on-a-daily-basis* factor — was, in other words, *idiosyncratic* to Apple. It represented an idiosyncratic risk.

By contrast, the price of Apple's stock also moves, at least a little bit, due to the situation in the economy in general, in the sense that, if people are broke, then they will buy fewer Apple products no matter how cool those products might be, or in the sense that, if Apple and other electronics manufacturers can't build their as many of the products as they would like due to the Thai floods occurring during the latter half of 2011 which damaged a decent chunk of global computer hard drive manufacturing facilities, then the price of shares of Apple stock will be impacted, at least in part, by what's happening in the world at large, and so too will the prices of shares in other companies using hard drives (solid state drives were just going mainstream at the time . . .) generally, regardless of whether Steve Jobs was or was not carrying a heavy workload at Apple at that time. Here, then, the price of Apple stock was impacted by what was going on in markets and the world as a whole. This is a good example of market risk.

The main risk of the very-likely-to-match-the-market-chunk strategies mentioned above, then, is market risk — the risk that the market chunks in which you invest do poorly. But because the market chunks in which you invest are quite broad (such as the entire American stock market), the question of whether or not a given CEO is working for a given company will have a relatively small impact on your overall investment, while a big trend that impacts businesses generally, such as a recession or weather patterns impacting global manufacturing capacity, will have a very definite impact.

Throughout our work on your strategy, we'll talk in some detail about the magnitude of market loss you should be prepared for over the short-run and the magnitude of the potential gain you can hope for over the long run, all based on the specifics of the strategy that you have, with my help, chosen. As a case in point, by most measures the stock market

downdraft from October of 2007 through March 2009 saw the overall level of the American stock market fall by considerably more than half. That sort of loss, and more, is the sort of short-term downdraft for which you should be prepared when you invest in stocks.

And what of the long-term hoped-for gains? In the past it has not been out of the ordinary for the stock market to increase over the long run at an annual rate in the high single digit percentages — though, I hasten to add, there have been ten-year periods when the level of the stock market went down.

We will talk about this in much more detail if you wish to have my help with investing.

Risks of Loss If Your Pursue Other Strategies,
Either by Investing on Your Own or Through a Money Manager:
I Will Help you Understand the Specific Risks of Loss those Strategies Entail

If you choose an investment strategy that is not one that I have helped you design — either because you are using a money manager or because you are pursuing your own strategy — then I will, as you wish, help you understand the risks involved.

To the extent you are using a money manager, then your money manager should provide you with this information; I will help out as you request, including, if you request, my assessment of your money manager's assessment.

And if you are investing entirely on your own, then I can, if you wish, help you gain a better understanding of the pros and cons of your investing approach. For instance, some people who've been investing on their own for years feel the need, from time-to-time, to have someone else look over their investing approach, to get a second opinion and a fresh look, to assess the results of that approach and to assess the risks to which they are then exposed.

If that's you, then I can be of service.

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Disciplinary Information

Legal or
Disciplinary Events:

I Have None to Report

I have no disciplinary events to report.

More specifically, I have not been the subject of any legal or disciplinary events that are material to your decision about whether to hire me to help you improve your overall financial health.

More specifically still, and unfortunately quite technically, but in a way that can give you a good idea of what this part of the brochure template is all about, there was and is no criminal or civil action in a domestic, foreign or military court in which JFF or I:

- Was convicted of, or pled guilty or nolo contender to, any felony or misdemeanor involving investments or an investment-related business, or fraud, false statements, omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting or extortion, or a conspiracy to commit any of those offenses.
- Is the named subject of a pending criminal proceeding involving an investment-related business, or fraud, false statements, omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting or extortion or a conspiracy to commit any of those offenses.
- Was found to have been involved in a violation of an investment-related statute or regulation.
- Was the subject of any order, judgment or decree permanently or temporarily enjoining or otherwise limiting me from engaging in any investment-related activity, or from violating any investment-related statute, rule or order.

Further, there was and is no administrative proceeding before any regulatory agency in which I:

- Was found to have caused an investment-related business to lose its authorization to do business.

- Was found to have been involved in a violation of an investing-related statute or regulation and was the subject of an order by the agency or authority limiting my investment-related activities, or imposing a civil penalty of more than $2,500 on me.

Finally, there was and is no self-regulatory organization proceeding in which I:

- Was found to have caused an investment-related business to lose its authorization to do business.
- Was found to have been involved in a violation of the self-regulatory organizations rules and was barred or suspended from membership in the self-regulatory organization or from association with its members, or was expelled from membership or otherwise significantly limited from investment related activities or fined more than $2,500.

If you would like to know more about what all that means, then please do let me know and I will help you understand.

. . . .

Other Financial Industry Activies and Affliations

. . . .

My Formal Affiliations with Other Financial Services Providers:

I Have None

This part of the brochure template is about my affiliations; it is largely inapplicable to me and, in places, is also rather technical.

To simplify it, let's start with the general and move on to the specific.

Generally speaking, I am not formally affiliated with anyone. My non-affiliation follows from my goal of having my business exist largely independent from what I sometimes call *The Financial Services Industrial Complex,* with the idea being that, by being independent, I am best able to focus on serving my clients' interests rather than those of my affiliates.

More specifically, and in keeping with the brochure template — and please do not worry if you don't know what this list means because most people do not — neither JFF nor I am or was (a) a futures commission merchant, (b) a commodity pool operator, (c) a commodity

trading advisor or (d) an associated person of any of those entities.

In the past I was affiliated, via E*TRADE and then via Sagemark Consulting, with a stockbrokerage (technically known as a *broker/dealer* or, more informally, as a *B/D,* with the abbreviation pronounced as the letters), pursuant to which I could have provided stockbrokerage services. Throughout those times, though, I did not do so, and today I am not, and JFF is not, affiliated with any broker/dealer.

My Informal, Non-Commercial Affiliations with Other Financial Services Providers:

I Can Refer You, If You Wish, to Various Financial Services Providers When You Need the Sorts of Services they Provide

Given my general approach to helping people improve their overall financial health, and given that I do not sell financial products or provide financial services other than my financial health advisory services, it might be the case that you will at some time need the help of a financial services provider who specializes in those things that I do not do, such as insurance sales or direct money management or tax return filing or mortgage brokering.

I call this "the last mile," which is a reference used a lot during the build-out phase of the mass commercialization of the Internet during the late 1990s and on. Back then the big challenge was getting sufficient data transmission speeds subsequent to the point at which the huge, general-purpose Internet pipes (so to speak) terminated and handed-off all that data to the far narrower pipes (so again to speak) that brought all that data into our households. It was that last part – the so-called *last mile* – where very specific piping had to be laid down by people with very specific, very narrow skills.

By the same token, it's often helpful for a generalist such as myself to hand off to a specialist for the last mile. Since my charge is to help my clients improve their overall financial health, I view this hand off as part of the services I provide. To this end, over the years I've developed informal relationships with other financial services providers to whom I refer clients, and who sometimes refer prospective clients to me. None of these financial services providers pays me for referring people to them, and I do not pay any of them for referring potential clients to me.

These other financial services providers include insurance agents, mortgage brokers, money managers, lawyers, real estate agents, accountants and others.

When referring you to one of these specialists, I typically will use a process that I've honed

over the years, as described in the next section.

My Process for Helping You Find a Financial Services Provider:

I Recommend that You Interview a Handful of Prospects, Some of Whom You Found on Your Own and Some of Whom I Provided to You, So that You Have a Good Pool of Prospects from Which to Choose

If you ever need a referral from me to a financial services provider who specializes in something that I do not do, then I will recommend that you interview a handful of people for the work, some of whom you have found on your own by asking your friends, acquaintances and family members for referrals to someone they think of highly, and some of whom I have, at your request, provided to you. In this way, you will have a good pool of people from which to choose.

Then, after you have interviewed these people, I will, if you wish, debrief you and give you my impressions, based on your impressions, about what makes sense for you, after which I'll be as involved or as uninvolved in the process as you wish.

That said, in today's busy world a good number of clients wish to simplify and condense this process, and do so by asking me to refer them to someone I trust – they basically say, *just give me a name.* I'm happy to do so, with the caveat that I think your overall financial health is best served by the more thorough process described above.

The Process I Use to Ensure that My Informal, Non-Commercial Referral Process Serves Your Interests Well

I Will Provide Information to You, Upfront, About my Past Experiences, and What I Know About my Clients' Past Experiences, with the Person to Whom I Refer You, as Well as Information About Anything of Value that I Have Received from that Person

In any event, if I am providing you with a referral to someone, I will at the same time provide you with a description of that person, including my past history with that person and the information I have about my clients' past experiences with that person, as well as information about whether I have ever received anything of value from that person, the answer to which is that (a) I never received a payment, directly or indirectly, for referring anyone to them, and (b) I sometimes do allow some of these folks to buy me lunch, but just about as often I buy them lunch, just as I do with other people with whom I go to lunch on

a somewhat regular basis.

It can be interesting to think about the potential conflicts of interest in this context because they can be different from what some people might at first think. Looking solely at my own interests (purely for the sake of this analysis), my preference would be for you to work with someone with whom I have never worked, because that means that someone else would learn about my services, and the greater the number of folks who know about my services, the more likely it is that one of them will send a potential client my way.

If on the other hand I had a deal to be paid by someone to whom I always refer clients, my interests would flow the other way. I have no such deal.

In the final analysis, when I refer you to someone, that referral is driven by one thing, and one thing only: my prediction that that person will be able to do a great job for you – my prediction that that person will be able to help you *improve your overall financial health.*

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

My General Approach to Ethics:

Align My Interests with Those of My Clients, and Design My Business Practices to Be Transparent

The regulatory environment in which I operate does not, at this time, require that I have a written code of ethics (though from time to time such a requirement is actively considered); I do not have one at this time.

I do, however, have an overall approach to ethics to share with you in detail whenever you wish, and in brief right here.

My approach is based primarily on two criteria: alignment and transparency.

First, as noted elsewhere in this brochure, I've designed the JFF business in such a way that I am compensated by no one other than my clients. That, in and of itself, is a great way to make sure that the incentives and disincentives under which I operate align well with the interest of my clients. The roundabout, complicated compensation arrangements many money managers use are inherently not aligned in this way. Indeed, they often appear to be

designed specifically with malalignment in mind.

Second, I seek to make all of my business practices transparent. One example of this is in my billing statements that I will provide to you if we ever work on an hourly-fee basis. That statement includes, among other things, a life-of-relationship summary, showing all the hourly fees you have paid to me from the start of your hourly-fee work through to the present, and an end-it-now payment option that makes it relatively simple for you to know how to terminate our relationship at the purely financial level – to *opt-out*.

Similar to what I said above about them a few paragraphs above, the roundabout, complicated compensation arrangements many money managers use are inherently not transparent. Indeed, they often appear to be designed specifically with opacity in mind.

Investments that I am Buying or Selling at About the Same Time I am Recommending Them to You:

I Will Tell You if I am Buying or Selling an Investment that I am Recommending to You at About the Same Time

Another example of how transparency plays a key role in my approach to doing the right thing is when I am recommending that you consider buying or selling a security that I or a member of my immediate family (i.e., my wife Beverly) owns or has recently owed. In that situation, I will tell you that this is the case, regardless of what kind of investment it is, i.e., regardless of whether it is a mutual fund holding stocks or bonds or both (which is the sort of investment I mostly own), and regardless of whether it is a particular stock or bond.

Further, given that I mostly invest in match-the-market-chunk sorts of investments, and that those investments constitute very broad swaths of the markets, my buying and selling activities in those investments would have about as much impact on the price of those securities as, say, pouring a glass of white wine (not red . . .) into the ocean has on the color of the ocean.

Investments in Which I Have a Material Interest:

I Do Not Recommend Investments to Clients in Which I Have a Material Interest

I do not recommend to clients that they invest in any investments in which I am directly and materially involved in some way *other* than via small investment interests that the public at large can own. So on the one hand it might be the case that I will recommend to you that

you buy shares in, say, a mutual fund that seeks to match the performance of the entire domestic stock market at the same time that I own shares in that mutual fund, in which case, as noted above, I'll let you know of my ownership.

But on the other hand, if, for example, I ever start a business and the business is seeking investors (something I do not currently envision), I will not recommend that you invest in that company. This ruling-out is consistent with my being a provider of pure financial advice, in that, if I were seeking to sell clients investments in which I am directly involved, I would be wearing two different, and conflicting, hats, i.e., that of stock promoter (who might do or say most anything to sell the stock) and that of financial health advisor (whose allegiance to helping you improve your overall financial health includes, among other things, helping you be smart when a stock promoter, doing and saying just about anything to get you to buy the stock, is courting you).

Brokerage Practices

The Factors I Consider When Recommending an Investing Platform:

The Cost to You of Using that Platform, and Customer Service

All things being equal, I recommend that clients use the Vanguard platform, primarily because it has the most depth in passive investing – indeed, many would say that the founder of Vanguard, John Bogle, was the earliest business proponent of passive investing and that, well into his 80s and no longer working day to day at Vanguard, he remains the most visible proponent of it – and is among the least expensive platform of its type with the best customer service.

When people have some of their money housed at other platforms – such as Fidelity or Schwab or Scottrade or TD Ameritrade or TIAA-CREF or E*TRADE and many others as well – we together determine whether that platform, over the long-run, is likely to assist them in improving their overall financial health and, if so, then I advise the client to keep the money where it is and, if not, then I advise the client to move the money. In making these determinations, we look mainly to expenses and customer service and, to a far lesser extent, investment options (since the most common investment options I currently advise clients to use are fairly well standardized across platforms nowadays).

I find that the decision to move money from one place to another is a very personal one.

Some people really do not like the sound of it from the get-go; others are inclined to move it right away and get it done. Given the design of my business and the manner in which I'm compensated, i.e. totally independently of any platform decision they make, I am able to help clients make this decision in an unbiased fashion.

Regardless, we will always view the decision to move money within the context of expenses, both at the existing platform and at any potential platforms, including tax expense if moving the money will lead to income tax expense.

Soft-Dollar Benefits:

A Brief Description of What They Are, and Why They are Inapplicable to the My Business

Up above I noted that there are many highly complicated, roundabout arrangements pursuant to which money managers receive compensation from people other than those for whom they manage money. Perhaps nothing in this brochure fits that description better than something called "soft dollar" benefits.

Soft dollar benefits can happen when a money manager uses a particular stockbrokerage to transact buy and sell orders for the money manager's clients, and something – something that isn't cold hard cash or a check but which can take the place of cold hard cash or a check – flows back from the stockbrokerage to the money manager in addition to transacted buy and sell orders.

The classic case of soft dollar benefits happens when the stockbrokerage provides investing research (perhaps with a really beautiful computer upon which to view that investing research) to the money manager for free, rather than charging actual dollar amounts. The effect of this arrangement is that the stockbrokerage is compensating the money manager for sending the transactions of the money manager's clients' to the stockbrokerage, rather than to some other stockbrokerage which, say, did not provide the money manager with investing research (or a computer), which might well lead the money manager to act in the money manager's own financial interests more so than in the financial interests of the money manager's clients.

Soft dollar benefits, while to some extent frowned upon, are nonetheless legal if certain requirements are met.

Given that I do not provide common money management services, this entire section is inapplicable to the services I provide.

. . . .

Review of Accounts

. . . .

Ongoing Reviews of Your Financial Health:

**I Will Regularly Review Your Investing Accounts
If You Request Me to Do So, and Recommend that,
in the Early Months of Each Year, You Have an
Annual Financial Health Update Meeting With Me**

As is true with many of my offers to you, you can dial up or down my ongoing involvement in your investing accounts. As a starting default, then, I will not, as a matter of course, review any of your investing accounts, but am happy to do so as described below.

For instance, you can have me receive “cc” copies of your investing account statements; this is a service that most financial services providers are accustomed to providing, and is something they typically provide free of charge. By doing so I will have a mere information flow from your account, without any control or custody or authority whatsoever over those accounts.

In addition, you can request that I review those statements when I receive them, and if I’ve agreed to do so, and you are compensating me for doing so and have paid all amounts I’ve asked you to pay me for doing so, then you and I will talk about what I see in those statements, or, if you wish, write something up for you to read.

Most frequently, clients and I do an annual review of their overall financial health. A typical annual review would typically involve you and me getting together face-to-face in the early months of the calendar year to update the numbers populating your financial life and to look at your accounts in as much detail as you wish. More broadly, we’ll typically also talk about what’s new in your life and in your financial world, and about what worked and what didn’t work during the year just passed, and, from there, figure out what actions, if any, you want to take to further increase your overall financial health in the year and years ahead.

I can also, as you direct, do monthly or quarterly reviews. The choice is yours.

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CETC@JohnFriedmanFinancial.com
415.642.3808

Client Referrals and Other Compensation

The Information Requested in this Part of the Brochure Template is Set Out in the Section on My Affiliations

Please See the Section on Affiliations, Starting on Page 54

This section of the brochure template asks me to talk about whether I receive, or give to others, any economic benefit for referring prospective clients to them or vice versa. It also asks whether others compensate me in any way for advising you to do something or not do something.

I address these topics in the section on my affiliations, starting on Page 54, above.

Custody

This Part of the Brochure Template is Inapplicable to Me:

I Do Not have Custody of Client Funds, Either Directly or Through a Third Party Custodian, So the Issues that Can Arise If You Were to Use a Money Manager Who in Turn Custodies Your Money with a Third Party Custodian Will Not Arise as a Result of Working With Me

This section of the brochure template asks me to talk about how I help clients understand the multi-layer investing platforms that most money managers use, where their clients' accounts are held by a third-party custodian rather than the money manager, and how it's important for the client to read the statements that the custodian provides, as well as any statements that the money manager provides, and, if the client is receiving both, to carefully compare the two.

I do not custody client funds, either directly or through a third-party custodian, so this entire section doesn't apply to me. I include a bit of detail, though, for those who are, or who might be, using a money manager, to highlight some of the issues that can arise in those relationships, such as the confusion that can come from receiving two different account

statements covering the same account.

When people work with many money managers, and especially when they work with most wealth managers, they receive statements from the custodian housing their assets plus a second statement from the manager (if you need a refresher on what wealth managers do, please see Page 27, above). That custodian is often Schwab or Fidelity, and is sometimes TD Ameritrade or some other platform. With some of the possible platform/manager couplings, the statements from the platform are un-branded and non-descript, while other couplings show both the brand of the platform and the brand of the manager.

It is always important to review statements when they come, and this is doubly true in this context in that the statement from the money manager is important, certainly, but the statement from the platform that houses the assets is the one that lets you know that your assets really are where you think they are. Bernie Madoff's clients only got statements from Madoff, and that is one of the main reasons they didn't know that their assets weren't really there. 'Nuff said.

So, yes, review your manager's statement if you get it, but, doubly yes, review the statement you get from the platform housing your assets and, if you get both such kinds of statements, be sure to compare them to make sure they agree.

Investment Discretion

This Part of the Brochure Template is Inapplicable to Me:

I Do Not Accept Discretionary Authority from My Clients to Manage Their Accounts, and Therefore Do Not Have Any Procedures that I Follow Prior to Assuming Discretionary Authority Over a Client's Account and Do Not Have Any Customary or Possible Limits that Clients May Place on this Authority

In a technical sense, money managers can exercise control over a client's account in one of two ways: they can ask the client for discretionary authority over the client's account, or they can forego asking the client for that authority. When a money manager has discretionary authority over a client's account, the money manager can, by and large, change the investments in the client's account without first asking the client for the client's approval of that change. By contrast, a money manager who does not have discretionary authority over a client account must seek a client's approval for most changes prior to

making the changes.

I do not provide common money management services, and therefore do not have any disclosures to make with respect to how I assume authority over a client's account.

. . . .

Voting Client Securities

. . . .

This Part of the Brochure Template is Inapplicable to Me:

I Do Not Have Custody of, or Control Over, Client Funds, and Therefore Do Not Have the Ability to Exercise, or Not Exercise, on Your Behalf, the Rights that Come with Owning Investments, such as Shareholder Voting Rights

Typical money managers have a good deal of control over the investments their clients make through the money manager. It follows, then, that the rights inherent in owning those investments are, to some extent, rights that the money manager might want to exercise on the client's behalf.

Over the years there has been quite a bit of debate about shareholder rights, and the extent to which those rights are seldom exercised by any but the largest shareholders.

The brochure template therefore asks money managers to address the issue of whether they take the time and make the effort to exercise their clients' shareholder rights.

Since I do not have custody of or any control over your investments, I cannot and will not exercise any of your shareholder rights on your behalf. If you wish my help in doing so, or would like to know more about shareholder rights in general, I'll be happy to be of assistance to you.

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Financial Information

This Part of the Brochure Template is Inapplicable to Me:

I Do Not Have Discretionary Authority Over, or Custody of, Client Funds, and I Do Not Require Prepayment of Fees of $500 or More from my Clients More than Six Months in Advance, So I am Not Required to Meet Certain Financial Hurdles, and Not Required to Disclose My Compliance with Those Hurdles

As mentioned above, my primary regulator is the Securities Regulation Division of the Division of Corporations of the California Department of Business Oversight, and the regulations to which I am subject are primarily those within the jurisdiction of that regulator.

Many people who are required to have a brochure such as this brochure are money managers working within the sorts of businesses in which the financial wherewithal of the business is very important to the client's financial health.

Exhibit A for this is Bernie Madoff, whose money management empire we now know to have been built upon a fraud, and who made off with a great amount of his clients' money, some of whom it appears were taken, entirely due to Mr. Madoff's fraud and in one fell swoop, from the ranks of the well-off or even wealthy to the ranks of the destitute. Unfortunately, Mr. Madoff was not the first money manager fraudster, and he will in every likelihood not be the last.

With that sort of thing in mind, the regulatory environment in which I operate requires some money managers and financial planners to make extensive financial disclosures about their own financial affairs.

Those required disclosures apply to money managers who, by and large, have direct possession of their clients' funds, or who exert a large amount of control over their clients' funds, or who require clients to make upfront fee payments for a half year or more. Financial disclosures from these folks is necessary, the thinking goes, because they have the keys to the vault, so to speak. Since I do not have that sort of control or authority, and since I do not require that clients pay me more than $500 more than six months in advance, those financial disclosure requirements are inapplicable to my business.

If you have any concerns along these lines, or if you would like to know more about my financial wherewithal, then please let me know and I'll be happy to answer your questions.

Requirements for State-Registered Advisers

This Part of the Brochure Template is Either Inapplicable to Me or Seeks Information Contained Elsewhere in this Brochure:

Of the Five Items in the Template for this Section, Two are Addressed Elsewhere in this Brochure and in the Supplement about Me, and Three are Inapplicable to Me

This final section of the brochure template applies to state-registered advisers, which, as noted above, well describes me because I am registered with the state of California.

Of the five items in this part of the brochure template, two are discussed elsewhere in this brochure and in the supplement to this brochure (if you do not have the supplement, please let me know and I'll get it to you), and I do not address here, i.e., (a) a description of me (which you can find throughout this brochure and in the supplement describing my background and education), and (b) a description of any business I am engaged in *other* than the business of giving investment advice (which, given that I estimate that the investing part of my services accounts for 30% of the services I provide to clients, means that the bulk of the services I provide – the other 70% – are my financial health advisory services which are described throughout this brochure).

The other three items are inapplicable to what I do, i.e., (c) I do not charge performance-based fees, and therefore I need not here disclose how I calculate such fees, and (d) I have not been found liable in an arbitration claim or in a civil, self-regulatory or administrative proceeding, and (e) I do not have any relationship with any issuer of securities.

So there you have it: a description of what I do, and how it differs in many ways from what most conventional financial planners and money managers do.

If you should decide to use my services – which I highly recommend! – I will help you be smart in your financial life. I'll do that by providing you with pure financial advice, aimed at helping you improve your overall financial health pretty much wherever that objective leads, and I will do that without selling you products and without needing to gather your assets, because I am compensated solely, directly and affirmatively by you, rather than via some roundabout route involving one or more financial services companies that want a piece of your financial life and/or via auto-ding portfolio fees taken against your assets in the

background and/or via commissions for selling insurance and investments and the like and/or a myriad of other ways financial services folks help themselves to other people's money.

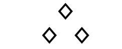
A lot of folks, when they're first contemplating talking with a financial planner, want just that: a go-to person who they know is on their side, and who can help them be smart in their financial world – smart about how to take care of things in their financial lives, smart about how to be as free from stress as it's possible to be in what is, for many folks, a rather stressful part of their lives, smart about how to decrease the odds of being victimized by less than totally honest financial services providers, smart about how to accomplish the financial goals they *need* to accomplish and those they *wish* to accomplish, etc., etc., etc. (followed by many more *etc.*'s because a financial life is a very multifaceted thing). In short, they want a direct relationship with a trusted advisor who is on their side and never gives them reason to doubt that that's the case.

And that's why I call myself a *financial health advisor* and that's why I sometimes characterize myself as:

The financial planner you've always wanted.

I hope you found this brochure helpful, and hope you will honor me with any questions or follow-ups you wish me to address for you, or topics you'd like to discuss with me. And I also welcome all comments, about my business, about this brochure, or, for that matter, about anything else whatsoever.

Thank you for your consideration.



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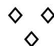
Above all, John is a generalist who helps individuals, families and businesses improve their overall financial health through pure financial advice, pretty much wherever that task might lead.



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