

# MONEYWATCH

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March 18, 2010

SEC File No. 801-26952

What You Must Be Told About Moneywatch

This brochure is equivalent to Form ADV Part II and accurately reflects our policies, procedures and business practices. What you are about to read provides prospective clients with information about Moneywatch Advisors, Inc. that should be considered before becoming a client of the firm. This information has not been approved or verified by any governmental authority.

MONEYWATCH ADVISORS, INC.(MAI) is a registered investment advisor with the Securities and Exchange Commission, the Florida Department of Securities, the Kentucky Division of Securities and the Maine Department of Securities.

MAI has been providing investment advisory and financial planning services through its predecessor Moneywatch Corporation since 1980. MAI provides continuous advice on investments consistent with a client's individual needs and financial objectives. Its clientele consists of over 150 individuals, retirement plans, trusts, estates, and charitable organizations with primary emphasis on individuals. Total investment capital managed for clients of MAI exceeds \$108-million. The average client investment portfolio is \$720,000.

### ADVISORY SERVICES

Advice is provided on common stocks, investment trusts, exchange traded funds, warrants, certificates of deposit, municipal and corporate bonds, mutual funds, variable annuities, U.S. government securities and stock options. Advice is also available on commercial and residential real estate, banking and credit, retirement and education funding, and virtually all aspects of financial planning.

Our approach to managing a client's investment assets is to first determine the client's needs in terms of income (cash flow), preservation of capital and capital appreciation. We recommend an appropriate investment strategy, that is, how the investment assets are to be divided between income and growth investments.

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Income investments are defined as cash, money market funds, certificates of deposit, bonds, bond mutual funds & closed end funds, unit investment trusts, fixed annuities and life insurance cash value, among others. These assets generally represent a loan by the investor to some entity where the investor has the security of being first in line to get money back in the event of the failure of the issuer. Income investments normally pay some form of regular cash flow commonly referred to as interest. The primary reason for owning income investments is preservation of capital, and secondarily, the cash flow.

We define growth investments as any asset which is purchased for its potential rise in value and is owned for future capital gain. Normally, investors consider common stocks or equity mutual funds as the prime candidates for this category. Exchange traded funds (ETF), which invest in equity investments, also fall into this category.

We manage money on a long term basis and generally avoid short term trading.

Every client is treated on an individual basis. Some are retired (40% for our firm), some are rich (having far more money than they will need to satisfy their goals), and others are in the wealth accumulation mode. Young or mature, rich or an accumulator, clients are treated appropriately with respect to their personal financial situation. We evaluate what they own, what they earn, spend and save, what they may inherit and develop a financial plan and investment strategy to meet their needs and accomplish their personal goals.

Investment capital consists of monetary assets including cash, checking and savings accounts, bonds, annuities, CDs, insurance cash value, common & preferred stock, equity and bond funds, investments in 401k, 403b and other employer retirement plans, investment real estate, exchange traded funds, unit investment trusts, company stock options, etc. Personal or use assets, residences and vacation real estate equity are not part of investment capital. Please note though, this list is not exhaustive.

Our investment research and analysis is fundamental in nature, with limited technical analysis, as it affects our overall view of the stock and bond markets. We do review technical analyses about the overall stock market on a regular basis, but not with respect to individual asset purchases as a short term trader would do. When we choose mutual funds, performance being equal, we favor ones with lower expenses and some which qualify for trading without a brokerage commission. However, some of the investments in which we invest may involve paying a brokerage commission. We utilize publications like the Wall Street Journal, Business Week, Barron's and Internet sites like marketwatch.com, forbes.com, prudentbear.com, yahoo.com, pimco.com, closed-endfunds.com, IShares.com and bloomberg.com.

This document and a copy of our privacy policy are initially distributed to potential clients prior to their first meeting with us. Upon becoming a client, we require completion of a comprehensive questionnaire and the provision of appropriate documents so we can complete said questionnaire. The next step is to have this information analyzed and evaluated, during which time we may request that Ms. Ramsey Bova, President and Director of Planning, create a personal financial plan. Incorporated in the plan are projections for the future and an initial investment strategy report presenting how we plan to manage the portfolio. A meeting is arranged for the initial presentation and discussion of the plan. Once everyone is satisfied that we are dealing with correct information and agree on a course of action, we begin to implement the plan.

On a continuing basis, we perform periodic reviews, usually quarterly corresponding with when the quarterly fee is due. We mail an invoice with a reminder to the client to provide updates to their financial statement and to schedule a quarterly meeting. We estimate that we spend 90% of our time managing investments and 10% furnishing clients with advice on financial planning matters. We assist clients in making primary and vacation residential decisions, financing decisions, estate planning decisions, relocation decisions, educational planning, etc.

We recommend where clients should trade their investable assets, and we also recommend other financial and legal professionals. We accept no compensation from any firm or person for referrals. Client fees are our sole source of compensation. MAI does not participate in formal soft-dollar arrangements.

Our clients currently have the majority of their investable assets at one large, well known discount brokerage firm (TD Ameritrade), which caters to independent financial advisory firms. Often, lower commission rates can be had at other firms, but we think the value of the services provided to our firm is important because these relationships allow us to operate at the fee level we currently charge clients. The relationship between our firm and the brokerage firm is important to both our long term profitability and to the client. Dealing with discount brokerage firms leaves little room for negotiation of commission rates, so we do not negotiate rates. We encourage clients to provide MAI with trading authority over their investment accounts so we can ensure timely execution of portfolio changes. We continually evaluate alternative brokerage firms to ensure our clients are receiving acceptable and fairly priced services. TD Ameritrade does supply MAI with products and services to assist us in managing and administering client accounts. These include software and other technology that provide access to the client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data and facilitate payment of MAI's fees from client accounts. MAI feels that these services are not only of benefit to the execution of its client services but also to our clients.

#### ADVISORY FEES

We charge a quarterly fee of one quarter of one percent (0.25%) of the client's total investment capital, as previously defined above. It matters not whether we have discretion over the assets, whether the assets are liquid, or whether they are held in a 401k or 403b plan, or a bank or credit union. Fees are negotiable, so if a client believes an asset should be excluded from the calculation, we listen and negotiate.

Once the fee is agreed upon and the first quarterly installment is paid, we start our analysis. Ordinarily if the relationship starts early in the month and we can make significant progress in starting to manage the client's affairs, the client's start (anniversary) date will be the first of that month. When it is past the middle of the month or we are not going to make much progress during the remainder of the month, we would agree to set the start date at the first of the next month. Our advisory fee is adjusted quarterly, calculated during the middle of the month prior to the client's fee being due. This procedure allows us to mail the client an Invoice & Report on Managed Investments in advance to show how the fee is calculated for the upcoming quarter. Clients are responsible for double checking our calculations to assure themselves that no errors have been made. The invoice they receive reminds them that the custodian, TD Ameritrade, will not determine the accuracy of the fee. We reserve the right to make interim adjustments to advisory fees in the case where there might be a substantial change in the client's investment capital. Clients have the right to request adjustments also.

Fees are calculated each quarter, so it is possible that a client will be paying more or less than the agreed upon percentage, due to asset price fluctuations and additions or withdrawals of capital. Remember, client fees are negotiable and can be re-calculated at the request of the clients. In the case of smaller accounts being charged a flat fee, the assets under management may be paying a fee much greater than 0.25% per quarter. Our minimum fee is \$100 per quarter.

Fees are billed quarterly in advance and it is our preference to have that fee paid by direct debit from one of the client's brokerage accounts. The custodian does not verify the accuracy of the calculation of the fee.

Clients may discontinue our service at any time without penalty. Since fees are paid in advance, the client is entitled to reimbursement of the unused portion of the fee, upon resignation.

## MISCELLANEOUS

To the extent that we recommend the use of open, closed-end and exchange traded funds, which will likely represent a substantial portion of assets under management, the client should be aware these funds charge investment management fees. As a result, the cost of dealing with MAI is more than the 0.25% quarterly fee. In the case of smaller accounts being charged a flat fee, the assets under management may be paying a fee much greater than 0.25%.

Hourly consultations are available at a rate of \$250.00 per hour.

Each month we prepare and mail a consolidated net worth statement and a newsletter to all clients. Clients are encouraged to use the net worth statement as a reminder to contact us to update their information if need be. Additionally, clients receive purchase and sale confirmations and monthly statements from the brokerage firm holding their assets. Clients are also encouraged to compare their net worth statements issued by MAI with their brokerage firm statements to ensure accuracy of reporting.

Our firm is not a custodian of client assets. Money and securities to be deposited to your brokerage account should be sent directly to that firm. If an employee were to inadvertently receive a client asset he is required to immediately return it to the owner and document the occurrence to the Chief Compliance Officer. Requests for deduction of quarterly advisory fees from clients' accounts are not considered custody.

Our firm does not accept authority, nor provide any advice, as how to vote client proxies. All employees of MAI are required to abide by the Moneywatch Advisors, Inc. Code of Ethics. A copy of our ethics code is available to clients upon request. Each employee has acknowledged by signature that he is aware of and abides by our Code of Ethics.

Client accounts are not affected in any way by trade errors made by employees of MAI. Any gain or loss sustained by a trade error will be absorbed by MAI. The complete MAI Trading Error Policy is available to clients upon request.

Moneywatch Advisors, Inc., its principal officers and employees and their immediate relatives may invest in all or most of the same assets which the company recommends to and purchases for its clients. Employees must receive prior documented approval from Robert Bova in order to acquire securities

outside those recommended to our clients. Client trades always take precedence over company or employee trades and this procedure is monitored by Robert Bova in his capacity as chief investment officer and Ramsey Bova in her capacity as chief compliance officer. In a situation where an employee order would be disadvantageous to a client, the client order would go first.

All existing clients will continue to receive an updated copy of our ADV and Privacy Policy on an annual basis.

## **THE MONEYWATCH ADVISORY STAFF...**

MAI employees involved in giving investment advice to clients must have a college education.

Mrs. Ramsey Bova, 34, President, Director of Planning, Chief Compliance Officer and Certified Financial Planner, is responsible for managing MAI's daily business environment, daily operations and for preparing financial plans and retirement plans for clients. Ramsey joined the firm in August 1998, after receiving her Bachelor of Science degree with a major in finance from Clemson University. As Chief Compliance Officer, she is responsible for administering those policies and procedures. She annually reviews these policies for adequacy and effectiveness and stays current on any Proposed Rules from the SEC. Ramsey, her husband, Robert Hammond, and son, Pierse, reside in Lexington, Kentucky.

Robert J. Bova, 67, Chairman and Chief Investment Officer, holds a B.A. (Binghamton University, 1967) and a M.B.A. (University of Kentucky, 1981). Employed by Thomson McKinnon Securities, Inc. (1968-1978), he held the position, among others, of Vice President & Director of Financial Planning. Mr. Bova founded Moneywatch Corporation in 1980 to provide fee based financial planning. He reviews all accounts and determines the investment strategy and selection of investments for clients. He is responsible for banking, accounting and payroll. He resides in Naples, Florida (September-May) and in Lexington, Kentucky (June-August).

William J. Leffler, 80, Vice President & Certified Financial Planner, has been associated with the firm since August 1986. He is a graduate of Dartmouth College, Hebrew Union College and College for Financial Planning. Mr. Leffler serves a variety of individuals as a financial advisor. Bill resides in Kennebunkport, Maine. He travels to the Lexington office every three months.

Mrs. Sharon Moberly, 31, is responsible for operations, database management and client communications. Sharon joined the firm in May of 2009. She and her husband live in Richmond, KY.

Please direct questions about this document to Mrs. Ramsey Bova or Mr. Robert J. Bova.

