



## **ADV Part 2A Brochure**

March 24, 2011

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This brochure provides information about the qualifications and business practices of Allison Spielman Advisors. If you have any questions about the contents of this brochure, please contact us at the number shown above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Allison Spielman Advisors is a Registered Investment Advisor. It should be noted that such registration does not imply any particular level of skill or training.

## **Item 2: Material Changes**

Our firm brochure is substantially modified from its prior version and contains new information for the benefit of our clients.

In this “Summary of Material Changes” we discuss only the material changes since the last annual update on March 25, 2010.

- Redesign – The Securities and Exchange Commission (SEC) recently published amendments to the rules for firm brochures. This brochure is redesigned in narrative format and is materially different in its structure. This brochure also contains new information now required by the SEC.
- We are providing new information about our financial planning services and specifically about our fees related to that service.
- We are providing a more extensive discussion about our investment policies and practices. We are shifting to a more passive investment approach that is explained in section 8.
- Our assets under advisement have increased to \$50,567,743 as of 12/31/2010.

Since this brochure represents extensive changes since our last brochure, we suggest that all our clients review this document, in its entirety, upon receipt. Please contact any of us at Allison Spielman Advisors if you have questions or would like additional information.

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**Item 4: Advisory Business**

Our Firm's History: Allison Spielman Advisors was founded on July 20, 1997 under the name Wealth Management Advisors by Thomas R. Allison. In March of 2000 the firm changed it's name to Allison Spielman Advisors. There are currently four employees, including three Certified Financial Planners® and one administrative staff.

Our Principal Owner: Thomas R. Allison

About Our Firm: Allison Spielman Advisors, LLC is a Registered Investment Advisor registered with the U.S. Securities and Exchange Commission (CRD #116387). The control person of Allison Spielman Advisors, LLC, (Thomas R. Allison) and the other planning personnel provide consulting and investment advisory service as well as financial planning. Most advisory clients are managed accounts held through an agreement with Charles Schwab & Co. These accounts are managed for a percentage of assets under management. The annual fee, which is billed quarterly, at the start of each quarter, ranges from ¼ of 1% to 2 ½%, depending on the size and complexity of each account. (Fees will be refunded on a pro-rated basis if a client cancels during the quarter.) Assets under management as of December 2010 are \$50,567,743.

Various insurance products such as fixed annuities, life and disability are sold for sales commissions. Allison Spielman Advisors receives the normal sales commissions on these transactions, which range from 0% to 9%. In the event we receive a commission, we will not include these assets for fee calculations. The potential to receive commissions will be disclosed before an investment is made.

Allison Spielman Advisors gives advice on a variety of products, including equity securities, municipal and corporate bonds, commercial paper, disability and life insurance and fixed annuities. The methods of security analysis used are fundamental, charting, technical and cyclical with the main sources of information coming from commercially available software technology, securities rating services, general economic, market and financial newspapers and magazines, research material prepared by others, corporate rating services, annual reports, and company press releases. Our investment strategy is generally investing for the long term with short term purchases and trading periodically implemented, where appropriate, along with margin transactions and occasional options trades. On occasion, we may buy or sell securities that are recommended to our clients.

## **Item 5: Fees and Compensation**

### **Managed Accounts – Fees based on Assets Under Management**

The managed accounts are managed for a percentage of assets under management. The annual fee, which is billed quarterly, at the start of each quarter, ranges from ¼ of 1% to 2 ½%, depending on the size and complexity of each account. (Fees will be refunded on a pro-rated basis if a client cancels during the quarter.)

Fees are payable in advance on a quarterly basis. Fees are based on the current asset value of the account as computed by ASA. The formula for computing quarterly fees is: The current asset value multiplied by the annual rate, divided by 4 (quarters of the year) or:

$$\frac{\text{current asset value} \times \text{annual rate}}{4}$$

When the account is first opened or when new money is added to the account, fees will be prorated to the end of the current quarter.

Fees may be paid by client directly or they may be paid out of the account via a direct debit for the quarterly fee amount. These are the only management fees received by ASA in connection with client investment accounts.

These fees are not negotiable. ASA reserves the right to change the fee schedule at any time. However, the client will be given a 30 day written notice before the change can take effect.

In addition to the fees charged by ASA, mutual funds will charge management fees. These fees range from 0.10% to 2.0%.

Accounts that are held at Charles Schwab & Co. (Schwab) may be charged fees when investments are made. Following is Schwab's maximum fee schedule as of 12/31/2010:

Mutual Funds: One Source Funds charge \$0 per trade. Non One Source Funds charge .7% of the total amount of the trade with a minimum of \$25 and a maximum of \$49.95.

Stocks: \$19.95 per trade for amounts up to 1,000 shares and then it is \$.015 per share over 1,000 shares.

Bonds: \$5 per bond on the first 25 bonds purchased and \$3 per bond over and above the 25 bond purchase.

### **Comprehensive Financial Plans – Retainer Fees:**

Comprehensive financial plans are provided and implemented for an annual retainer fee of \$2,000 to \$5,000 depending on the complexity of the plan. Partial plans can be provided for a reduced, negotiated fee. If a partial plan is prepared, implementation of several plan recommendations are provided for a negotiated fee based on an hourly rate

ranging from \$150 to \$300 per hour. The hourly rate is determined by the complexity of the services required and the Allison Spielman Advisors employee providing the services.

**Refunds:** In the event that a client terminates a relationship with us, any unearned fees that have been paid in advance will be refunded.

#### **Item 6: Performance-Based Fees and Side-by-Side Management**

ASA does not charge performance-based fees so no side-by-side conflict exists.

#### **Item 7: Types of Clients**

ASA provides two types of service. The clients who engage ASA for financial planning and implementation services are those who want to spend less time and energy managing their personal finances so they can direct that time and energy to the things they are passionate about. There is no minimum net worth requirements for this service.

ASA also provides asset management services. Generally a minimum of \$250,000 is required to open an account. However, this can be negotiated.

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

##### **General:**

ASA provides the investment strategy and its implementation for all clients, utilizing a variety of securities or pooled investment vehicles (such as mutual funds). Clients receive the benefit of ASA's developed investment philosophies and strategies, research and due diligence, account monitoring, and personal financial planning recommendations.

The investment strategies and the approval of specific investments used by ASA is done by the investment committee that consists of Thom Allison, CFP® and Brad Allen, CFP®. From time to time Katie Milojevich, CFP® will provide advice and recommendations to the investment committee.

##### **Method of Analysis and Strategies; General**

Specific no-load (no commissions, no 12b-1 fees) mutual funds and other investment products and securities are recommended to clients. Client's portfolios are periodically monitored and changes to investment portfolios are suggested when appropriate. Portfolios are reviewed at least once per quarter to maintain the appropriate asset class exposure within the desired risk tolerance. Variances are permitted for tax-reduction, tax-planning or other reasons agreed to by the client.

In designing investment plans, ASA relies upon information provided by the client and the client's other professional advisors. This information becomes the basis for the strategic asset allocation into the appropriate asset classes. The primary purpose of the strategic asset allocation is risk management.

Academic research shows that most of a portfolio's performance is attributable to the choice of a strategic asset allocation. At ASA the asset allocation decision is mainly driven by the research of such academics as Professor Eugene Fama, SR of the

University of Chicago, Professor Kenneth French of Dartmouth College and Nobel Laureate William Sharpe of Stanford as well as other academics and researchers.

Using this information we design portfolios based on Modern Portfolio Theory. This theory emphasizes the value of long-term investing with a very well diversified portfolio. In addition, this theory suggests that investment markets are fairly efficient (i.e. the price of securities reflects all relevant, public information available about that security) and an investor's gross returns are determined mainly by the amount of risk they are willing to assume. Therefore our focus is on providing a globally diversified portfolio through the use of passively managed, low-cost and tax-efficient mutual funds.

### **Sources of Information**

Securities analysis is based on information from commercially available software technology, securities rating services, general economic, market and financial information, due diligence reviews and specific analysis that a client may request. In addition to general, commercially available information, ASA reviews prospectuses, statements of additional information, other information provided by investment firms and data aggregation services such as Morningstar. Also, committee members attend several seminars and continuing education classes during the year.

Much of the academic research is provided by Dimensional Funds Advisors (DFA) as well as other firms. DFA provides historical market analysis, risk/return analysis, and continuing education services. Also, DFA provides computer programs to help analyze various portfolio constructions.

### **Types of Investments**

Each client typically receives an investment portfolio which consists mainly of no-load stock and bond mutual funds. Generally, DFA funds are recommended for the stock portion of the strategic asset allocation and PIMCO funds are recommended for the fixed income portion. However, this is subject to change based on the continuing research that ASA is doing. The primary reason for recommending DFA for the equity portion is that their passively managed funds tend to have lower transaction costs than most index funds or ETF investments. ASA believes the total cost of owning DFA funds is lower than most options offering the potential to provide the client with a better investment experience. PIMCO is recommended for the fixed income because they have a track record of providing superior results even in adverse market conditions. Of course, past performance is not an indication of future results so ASA monitors these investments very closely.

Some investment portfolios may also include individual fixed income investments (bonds, CDs, etc.) and/or a passive fixed income option. The decision to recommend these will be based on the size of the client's fixed income allocation and their need for cash withdrawals from the portfolio. As always, the risk/return relationship for various fixed income options is considered.

Client portfolios may also include individual securities (stocks) but these are generally part of the client's holdings because they were part of the portfolio before coming to ASA. Individual securities may be held for a variety of reasons, including gift of highly

appreciated assets, but generally it is recommended that no individual security represent more than 5% of a portfolio.

Publicly traded real estate investment trust (REITS) or no-load mutual funds that hold REITs may be recommended and held in a portfolio.

Insurance products such as fixed and variable annuities and various types of life insurance may be evaluated to be part of the portfolio. When possible, low-cost, no-load products are recommended. Most often this occurs when a client has a high cost variable annuity and we want to preserve the tax-advantages by switching to a low-cost, no-load alternative. Fixed annuities may be recommended to provide a guaranteed income for part of a client's retirement needs. Any recommendation for the purchase of a commission paying insurance product represents a conflict of interest in that the potential to earn such a commission creates an incentive to sell these kinds of products. In the event such recommendation is made, we will explain the basis for the recommendation and disclose the amount of any commission that might be earned to the client. Clients are free to purchase such products through any agent or broker of their choosing.

For new clients, existing portfolio holdings are evaluated and a plan is developed to transition the portfolio to the desired portfolio. These transition plans take into consideration taxes as well as any other reasons the client may want to hold a specific investment.

### **Risk of Loss**

Investments in the financial markets involve risk including the potential loss of principle. ASA does not guarantee the performance of any of our client's investment portfolios. The risks may be the result of financial market activity, changes in currency values, political upheaval, natural disasters and business risk. ASA does not attempt to predict the likelihood of any of these risks. However, we do employ strategies that are designed to minimize the impact of these events. ASA can not guarantee that those strategies will be successful.

### **Item 9: Disciplinary Information**

No disciplinary actions.

### **Item 10: Other Financial Industry Activities and Affiliations**

Employees of ASA are members of the Financial Planning Association (FPA). The primary benefit of this is the continuing education that is required to maintain use of the CFP® marks. Additional benefits come from the opportunity to discuss various financial planning and investment issues with other financial planners. At all time the employees of ASA are careful to maintain the confidentiality of client information.

### **Item 11: Code of Ethics**

ASA has adopted the Certified Financial Planner® code of ethics. A copy of this is available upon request. In addition, each employee is required, once per year, to sign an agreement that they will keep all client information confident.

ASA employees do have the ability to invest in the same mutual funds, individual stocks, bonds, options and other securities that are recommended to clients. It is the policy of ASA that all client orders will be filled before employee orders are filled.

### **Item 12: Brokerage Practices**

ASA uses Charles Schwab and Co. (Schwab) as the custodian for client accounts. The primary role of the custodian is to provide for the safe keeping of all client assets. In addition, Schwab executes all trades, distributes cash and provides client reports.

Clients provide ASA with a limited power of attorney to manage the accounts. Specifically the powers ASA are granted are:

- The ability to instruct Schwab to execute trades.
- The ability to download client account information into our portfolio reporting system.
- The ability to direct Schwab to distribute funds to the client.
- The ability to collect ASA management fees from the account.

Schwab will provide ASA with practice management assistance from time to time. Generally this involves posting articles on the Schwab institutional web-site, providing seminars and visiting the ASA offices. In addition, Schwab will provide investment research information such as third party stock reports and mutual fund data.

Participation in Schwab's programs also provides access to certain mutual funds that require very high minimum investments. Those minimums are applied to ASA as a whole or they are reduced so ASA clients can invest well below the normal minimums.

Schwab does not receive any fees directly from ASA and ASA does not receive any fees from Schwab.

### **Item 13: Review of Accounts**

ASA reviews client accounts and financial plans at least once per quarter. The reviews are conducted by senior employees. The primary purpose of the quarterly portfolio review is to see if the portfolio is still in balance. If it is not then adjustments will be made to bring it back into balance. Following each review, a report is sent to the client.

Also, a review of the portfolio and/or the financial plan will be triggered if the client informs us of a substantial change in their financial or life situation that could affect either the portfolio or the financial plan.

The primary purpose of the financial plan review is to see if there are any action items that need attention and to see if we need updated information concerning cash flow.



**Item 14: Client Referrals and Other Compensation**

ASA continues to build the practice primarily through referrals. In fact, referrals from clients and from other professionals are the life-blood of ASA. However, ASA does not compensate either clients or other professionals for referrals.

**Item 15: Custody**

ASA does not take custody of client assets.

**Item 16: Investment Discretion**

ASA operates using one of three levels of discretionary authority:

1. Full discretionary authority. This allows ASA to make trades in your account based on our best judgment without contacting you before the trade is made. You will receive a trade confirmation from Schwab within 48 hours of the trade.
2. Modified discretionary authority. ASA will notify you of the proposed trade(s) before placing the trade(s). Notification will be by phone or E-mail. If we do not hear back from you within a certain amount of time (predetermined) from the time of notification, ASA will execute the trade(s). You will receive a trade confirmation from Schwab within 48 hours of placing the trade(s).
3. ASA does not have discretionary authority. ASA will notify you of proposed trade(s) before the trade(s) is placed. Execution of the trade(s) will not take place until you have approved the trade(s).

The majority (95%+) of ASA clients have given ASA discretionary authority over their accounts. Typically this is given with no limitation.

**Item 17: Voting Client Securities**

ASA will not vote proxies for securities held in the client's investment account. Clients will receive proxy information from the firms that they are invested in or from the mutual fund companies. While we will not vote the proxy or make specific recommendation about how to vote the proxy, clients are welcome to ask us for information to help with their decisions.

**Item 18: Financial Information**

ASA's contractual obligation to the client is to refund any un-earned fees in the event the contract is terminated. ASA maintains a reserve that is adequate to meet this obligation.

## **Brochure Supplement (Part 2B of Form ADV)**

March 24, 2011

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## **Our Investment Advisors**

Allison Spielman Advisors requires that persons in any advisory function possess a minimum of two years securities industry experience and one or more of the following examinations or designations (in addition to any examinations or designations required the states in which they operate): NASD Series 65 or a CFA or CFP® (Certified Financial Planner) designation.

All advisory and compliance matters are supervised by the firm's principle Thomas R. Allison.

## **Certified Financial Planner Qualifications**

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CRP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited U.S. college or university. CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

Continuing Education – Complete 30 hours of continuing education every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field; and

Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services at the best interest of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Allison Spielman Advisors planning personnel are as follows:

**Thomas R. Allison**

Born: 1950

*Education:*

Loyola University, BBA Marketing, 1974

Univ. of Wisconsin, MBA, 1978

College of Financial Planning, CFP®, 1988

*Business Background – Preceding 10 years:*

Allison Spielman Advisors, Principal, 3-00 to present  
(name change from WMA)

Wealth Management Advisors, Principal, 9-97 to 3-00

Sentra Securities Corp., Registered Rep, 2-01 to 9-03

Securities Service Network, Registered Rep., 9-00 to 2-01

Sentra Securities Corp., Registered Rep, 2-88 to 9-00

Financial Security Group, Principal/Shareholder, 2-88 to 9-97

*Licenses:*

CFP®, Insurance: Life & Health

*Disciplinary Information:*

None

**Katie L. Milojevich**

Born: 1977

*Education:*

Seattle Pacific University, BA, Accounting & Finance, 1999

College of Financial Planning, CFP®, 2005

*Business Background – Preceding 10 years:*

Allison Spielman Advisors, VP Financial Planning 7-05 to present

Allison Spielman Advisors, Paraplanner, 3-00 to 7-05

(name change from WMA)

Wealth Management Advisors, Accounting 9-97 to 3-00

Financial Security Group, Admin. Assist., 5-94 to 9-97

*Licenses:*

CFP®

*Disciplinary Information:*

None

**Bradley K. Allen**

Born: 1949

*Education:*

University of New Mexico, BS Physics, 1977

City University, Master's Certificate in Personal Financial Planning, 2001

*Business Background – Preceding 10 years*

Allison Spielman Advisors, Financial Planner, 3-09 to present

Coast Capital Management, Financial Planner 3-03 to 2-09

Washington Square Securities, Registered Rep 4-98 to 3-03

*Licenses:*

CFP®, Insurance: Life & Health, Mortgage Loan Originator

*Disciplinary Information:*

None