

# **Canty Financial Management, Inc.**

## **Form ADV Part 2A**

### **Investment Adviser Brochure**

**March 2011**

This Brochure provides information about the qualifications and business practices of Canty Financial Management, Inc. If you have any questions about the contents of this Brochure, please contact us at 518-885-3230 or [Bill@cantyfinancial.com](mailto:Bill@cantyfinancial.com). 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.

Canty Financial Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Canty Financial Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 2: Summary of Material Changes**

### **Introduction**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to Canty Financial Management, Inc.’s (CFM or the Firm) Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

### **Full Brochure Available**

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Bill Canty, President and Owner of CFM, at 518-885-3230, or e-mail at [Bill@Cantyfinancial.com](mailto:Bill@Cantyfinancial.com).

Additional information about CFM is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with CFM who are registered, or are required to be registered, as investment adviser representatives of CFM.

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## **Item 4 – Advisory Business**

### **Firm Description**

CFM is an investment adviser providing investment advisory services on a discretionary basis for a variety of clients, including individuals, pension and profit sharing plans, trusts, estates, and charitable organizations. CFM also provides clients with an opinion regarding the suitability of their current investment strategy as well as the investments selected to achieve those stated objectives without further management. In addition, CFM also provides tax advice including income tax preparation, where suitable. CFM was founded in 1997.

### **Principal Owners**

CFM's principal owner is William J. Canty, President and Chief Compliance Officer.

### **Types of Advisory Services**

CFM offers the following types of advisory services: Financial planning services, portfolio management for individuals and/or small business, portfolio management for businesses or institutional clients (other than investment companies).

### **Investment Advisory Services**

CFM provides investment advisory services, defined as giving continuous advice to a client, and selecting investments for a client based on the individual needs of the client. Through personal discussions, goals and objectives are established based on a client's particular circumstances. CFM assists the client in developing the client's personal investment policy, and then creates and manages a portfolio based on that policy. The interview(s) will also include a discussion of the goals of the client, their current financial position, tolerance to risk, family specifics and health information as well as a discussion of employer sponsored plans, where applicable. Each client is advised that it remains his/her responsibility to promptly notify CFM of any changes to their respective financial situation and consequently, their investment objectives. CFM develops portfolios based upon a client's goals, objectives, investment time horizon and risk tolerance, as well as their core financial-related values. Investment strategies generally include long-term and short-term purchases depending upon the individual needs of the client. CFM uses asset allocation, or spreading investments among a number of asset classes and sectors (domestic stocks vs. foreign stocks; large cap stocks vs. small cap stocks; corporate bonds vs. government securities) for most client portfolios.

CFM offers financial planning services, which may include a review of all aspects of a client's current financial situation, including the following components: cash management, risk management, insurance, education funding, goal setting, retirement planning, estate and charitable giving planning, tax planning, and capital needs planning. CFM meets with the client to review risk tolerance, financial goals and objectives, and time horizons. Additional meetings may include a review of additional financial information; sources of income, assets owned, existing insurance, liabilities, wills, trusts, business agreements, tax returns, investments, and personal and family

obligations.

Financial planning services may be comprehensive, or may focus on certain components. Clients understand that when CFM is engaged to address only certain components, the client's overall financial and investment issues may not be taken into consideration.

### **Tailored Relationships**

CFM tailors investment advisory services to the individual needs of the client. The goals and objectives for each client are documented. CFM clients are allowed to impose restrictions on the investments in their account. CFM may accept any reasonable limitation or restriction to discretionary authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to CFM in writing.

### **Wrap Fee Programs**

CFM does not participate in a Wrap Fee Program.

### **Client Assets**

As of December 31, 2010, CFM manages approximately \$46 million in assets that are managed on a discretionary basis.

## Item 5 – Fees and Compensation

### Compensation

CFM bases its fees on a percentage of assets under management, hourly charges, and fixed fees. CFM's fee schedules are described below.

### Compensation – Investment Advisory Services

For the vast majority of its clients, CFM levies a fee that is negotiable, as a percentage of assets under management with a minimum fee of \$500. This investment advisory fee shall be pro-rated and paid quarterly, in advance, based upon the value of the assets on the first day of the quarter.

### Schedule of Management Fees:

<u>Assets Under Management</u>	<u>Annual Fee</u>
Less than \$1,000,000	1.00 %
Over \$1,000,000	0.80%

An Investment Advisory Agreement will be provided to each client prior to, or simultaneously, with the execution of any formal documents required by the custodian, TD Ameritrade, Inc. Furthermore, the client along with the Advisor will sign and date the Investment Advisory Agreement with a copy provided to the client and the original maintained in his/her file. Clients may elect to be invoiced directly for fees or to authorize CFM to directly debit fees from client accounts.

After information is obtained and at the discretion of the client and the consent of the advisor, CFM may also provide investment advice on an hourly basis at a negotiable rate of not more than \$200 per hour. CFM may also charge project fees which are determined by the breath, depth and nature of the specific project. This project is confined to investment advice, income tax preparation, insurance review, and estate planning.

### Compensation – Financial Planning Services

For clients with less than \$100,000 of assets under management, CFM charges a minimum fee of \$1,000 for financial planning services.

### Calculation and Payment

CFM will generally calculate fees in advance on a quarterly basis. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

### Agreement Terms

Either party may terminate the agreement upon written notice. In the event of cancellation, CFM shall complete the outstanding commitments made by him on behalf of the client. However, CFM shall not make any further commitments or be otherwise

responsible for any acts on behalf of the client. Any unused fee will be refunded to the client.

### **General Information on Compensation and Other Fees**

In certain circumstances, fees, account minimums and payment terms are negotiable depending on client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation. Lower fees for comparable services may be available from other sources.

The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client.

CFM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to CFM's fee, and CFM shall not receive any portion of these commissions, fees, and costs. Neither CFM nor any of its supervised persons (employees) accept compensation for the sale of securities or other investment products.

All fees paid to CFM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund or sub-account directly, without the services of CFM. In that case, the client would not receive the services provided by CFM which are designed, among other things, to assist the client in determining which mutual funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by CFM to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. Clients should note that similar advisory services may

(or may not) be available from other registered investment advisers for similar or lower fees.



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

Neither CFM nor any of its Supervised Persons (employees) accepts performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

CFM does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

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

### **Types of Clients**

As described in Item 4, CFM 's clients include individuals, pension and profit sharing plans, trusts, estates, charitable organizations and various for-profit business entities.

### **Account Minimums**

CFM does not require a minimum account size for investment advisory clients.

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

### **Methods of Analysis**

CFM may employ the following security analysis methods: Charting; fundamental analysis; technical analysis; and cyclical analysis. CFM uses the following main sources of information including, financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission (SEC), and company press releases. Other sources of information that CFM may use include information from investment managers, financial service companies, data base companies, financial journals, and government sources, Morningstar mutual fund information, Morningstar stock information, TD Ameritrade, and the Internet.

### **Investment Strategies**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client signs a Model Portfolio Choice and Risk Tolerance document that outlines their desired investment strategy. Each client is advised that it remains his/her responsibility to promptly notify CFM of any changes to their acceptable level of risk tolerance, respective financial situation and consequently, their investment objectives.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### **Initial Public Offerings**

CFM typically does not participate on behalf of its clients in initial public offerings.

## **Item 9: Disciplinary Information**

CFM does not have any disciplinary information to disclose.

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

### **Financial Industry Activities – Broker-Dealer**

CFM is not registered as a broker-dealer, and none of its management persons are registered representatives of a broker-dealer.

### **Financial Industry Activities – Futures and Commodities**

Neither CFM nor any of its management persons is registered as (or associated with) a futures commissions merchant, commodity pool operator, or a commodity trading advisor.

### **Other Investment Advisors**

CFM does not recommend or select other investment advisors for its clients.

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

### **Code of Ethics**

CFM employees must comply with a Code of Ethics and Statement for Insider Trading. The Code describes the Firms' high standard of business conduct, and fiduciary duty to its clients. The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

William J. Canty reviews all trades. These reviews ensure that personal trading does not affect the markets, and that clients of CFM receive preferential treatment.

CFM's employees must acknowledge the terms of the Code of Ethics at least annually. Any individual not in compliance with the Code of Ethics may be subject to termination. Clients and prospective clients can obtain a copy of CFM's Code of Ethics by contacting William J. Canty 518-885-3230.

## **Item 12: Brokerage Practices**

### **Research and Other Soft Dollar Benefits**

CFM does not receive formal soft dollar benefits other than execution from broker/dealers in connection with client securities transactions. See disclosure below in “Directed Brokerage – Other Economic Benefits”.

### **Brokerage for Client Referrals**

CFM does not receive client referrals from broker/dealers.

### **Factors Considered in Selecting Broker Dealers for Client Transactions**

CFM generally requires that clients open one or more custodian accounts in their own name at TD AMERITRADE Institutional. TD AMERITRADE Institutional is a division of TD AMERITRADE, INC. (“TD AMERITRADE”) member FINRA/SIPC. TD AMERITRADE is an unaffiliated SEC-registered broker-dealer and FINRA member. The client will enter into a separate agreement with TD AMERITRADE to custody the assets. CFM also requires that clients grant CFM limited power of attorney to execute client transactions through TD AMERITRADE.

CFM is independently owned and operated, and unaffiliated with TD AMERITRADE. TD AMERITRADE may charge commissions (ticket charges) for executing our transactions. We do not receive any part of these separate charges. TD AMERITRADE may provide us with access to their institutional trading and custody services, which are typically not available to TD AMERITRADE retail investors. TD AMERITRADE’s services include brokerage custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. CFM’s clients who choose to have their assets held at TD AMERITRADE will not be charged separately for custody but are compensated by account holders through commissions or other transaction-related fees or securities trades that are executed through TD AMERITRADE. CFM considers several factors in recommending TD AMERITRADE to clients. Factors that CFM may consider may include ease of use, reputation, service execution, pricing and financial strength. CFM may also take into consideration the availability of the products and services received or offered (detailed below).

TD AMERITRADE offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. Adviser receives some benefits from TD AMERITRADE through its participation in the program.

Advisor may receive soft dollar benefits through TD Ameritrade. Soft dollar practices are arrangements under which approved products ie. investment research, are obtained by the Advisor through TD Ameritrade in exchange for directing client brokerage transactions. Advisor purchases research software and uses the research materials on all investment accounts.



## **Soft-Dollar Arrangements**

Generally, in addition to a broker's ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to the firm, and because the "soft dollars" used to acquire them are client assets, the firm could be considered to have a conflict of interest in allocating client brokerage business: it could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, the firm could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

The firm's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), the firm will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TD Ameritrade is reasonable in relation to the value of all the brokerage and research products and services provided by TD Ameritrade. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

Research and Brokerage Products and Services. "Research" products and services we may receive from broker-dealers may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to the firm in the performance of its investment decision-making responsibilities. Consistent with Section 28(e), brokerage products and services (beyond traditional execution services) consist primarily of computer services and software that permit us to effect securities transactions and perform functions incidental to transaction execution. We generally use such products and services in the conduct of our investment decision-making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

Other Uses and Products. The firm may use some products or services not only as "research" and as brokerage (i.e., to assist in making investment decisions for clients or to perform functions incidental to transaction execution) but for our administrative and other purposes as well. In these instances, we make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable making investment decisions and executing transactions is paid with commission dollars and we bear the cost of the balance. Our interest in making such an allocation differs from clients' interest, in that we have an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that the firm must pay directly.

Mutual Fund Transactions. Although shares of no-load mutual funds can be purchased and redeemed without payment of transactions fees, we may, consistent with our duty of best execution, determine to cause client accounts to pay transaction fees that may be higher than those obtainable from other broker-dealers when purchasing shares of certain no-load mutual funds through TD Ameritrade in order to obtain "research". This research may not be used for the exclusive benefit of the clients who pay transaction fees in purchasing mutual fund shares.

Amount and Manner of Payment. A broker-dealer through which the firm wishes to use soft dollars may establish "credits" arising out of brokerage business done in the past, which may be used to pay, or reimburse the firm for, specified expenses. In other cases, a broker-dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate it. The actual level of transactional business the firm does with a particular broker-dealer during any period may be less than such a suggested level, but may exceed that level and may generate unused soft dollar "credits." We do not exclude a broker-dealer from receiving business simply because the broker-dealer has not been identified as providing soft dollar research products and services, although we may not be willing to pay the same commission to such broker-dealer as we would have paid had the broker-dealer provided such products and services.

As disclosed under Item 12.B. above, Adviser participates in TD AMERITRADE's institutional customer program and Adviser may recommend TD AMERITRADE to Clients for custody and brokerage services. There is no direct link between Adviser's participation in the program and the investment advice it gives to its Clients, although Adviser receives economic benefits through its participation in the program that are typically not available to TD AMERITRADE retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Adviser by third party vendors. TD AMERITRADE may also have paid for business consulting and

professional services received by Adviser's related persons. Some of the products and services made available by TD AMERITRADE through the program may benefit Adviser but may not benefit its Client accounts. These products or services may assist Adviser in managing and administering Client accounts, including accounts not maintained at TD AMERITRADE. Other services made available by TD AMERITRADE are intended to help Adviser manage and further develop its business enterprise. The benefits received by Adviser or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD AMERITRADE. As part of its fiduciary duties to clients, the firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Adviser or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Adviser's choice of TD AMERITRADE for custody and brokerage services.

### **Directed Brokerage**

CFM will not allow clients to direct CFM to use a specific broker-dealer to execute transactions. Clients must use the broker-dealers that CFM recommends. Not all investment advisers require their clients to trade through specific brokerage firms. By requiring clients to use TD AMERITRADE, CFM believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio. Since we require most of our clients to maintain their accounts with TD AMERITRADE, it is also important for clients to consider and compare the significant differences between having assets custodied at another broker-dealer, bank or other custodian prior to opening an account with us. Some of these differences include, but are not limited to; total account costs, trading freedom, transaction fees/commission rates, and security and technology services. By requiring clients to use TD AMERITRADE, CFM believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio.

### **Aggregation and Allocation of Transactions**

In some cases, CFM will recommend the purchase or sale of the same security for multiple clients at the same time. CFM generally does not aggregate any client transactions in mutual fund or other securities. Client accounts are individually reviewed and managed, and transaction costs are not saved by aggregating orders in almost all circumstances in which CFM arranges transactions.

In some cases, CFM may combine purchase and sale orders for all clients with the same order. CFM will generally allocate the proceeds arising out of those transactions (and the related transactions expenses) on an average price basis among the various participants in the transactions. CFM believes that by combining orders in this way it will be advantageous to all participants. However, the average price could be less advantageous to a particular client than if that client had been the only account effecting the transaction or had completed its transaction before the other participants.

CFM may also place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order, and practicability of participating in "block"

transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client. There are circumstances when some of a client's transactions in the security may not be aggregated with other clients. CFM has adopted policies and procedures intended to ensure that our trading allocations are fair to all of our clients.

In addition, CFM and/or our related persons may buy or sell specific securities for our own accounts that are not deemed appropriate for another client at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for the client are made. Where execution opportunities for a particular security are limited, CFM attempts in good faith to allocate such opportunities among clients in a manner that is equitable to all our clients over time.

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

### **Reviews**

After meeting with the client and establishing an account with an agreed upon suitable investment strategy, William J. Canty reviews the portfolios on a continual basis, and accounts are selected for review based upon asset allocation, account size, asset class and the weighting of each individual holding. Triggering factors include changes in a client's situation in the economy, geopolitical occurrences, newly released corporate data, and general market conditions. CFM encourages its clients to meet with their Portfolio Manager at least once each year or when their situation changes.

### **Reporting**

Clients receive reports detailing portfolio positions, cash balances, transaction details, income and expenses on a monthly basis from TD AMERITRADE. Clients are also able to access their accounts online through TD AMERITRADE. In addition to the above, CFM mails reports to clients detailing their portfolio positions, cash balances and top holdings. These reports are also available upon request.

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

### **Other Compensation**

CFM does not receive any formal economic benefits (other than normal compensation) from any firm or individual for providing investment advice.

### **Other Compensation – Brokerage Arrangements**

See disclosure in Item 12 regarding compensation, including economic benefits received in connection with giving advice to clients.

### **Compensation – Client Referrals**

CFM does not make or accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Item 15: Custody**

### **Custody – Fee Debiting**

CFM has one form of custody. Clients may authorize CFM (in the client agreement) to debit fees directly from the client's account at the broker dealer, bank or other qualified custodian (custodian). Client investment assets will be held with a custodian agreed upon by the client and CFM. The custodian is advised in writing of the limitation of CFM's access to the account. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to CFM.

### **Custody – Account Statements**

As described above and in Item 13, clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or other reports that CFM provides. CFM statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16: Investment Discretion**

CFM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Discretionary Authority for Trading and Limited Power of Attorney through the investment management agreement, CFM may accept limited power of attorney to act on a discretionary basis on behalf of clients. A limited power of attorney allows CFM to execute trades on behalf of clients. When such limited powers exist between the CFM and the client, CFM has the authority to determine, without obtaining specific client consent, both the amount and type of securities to be bought to satisfy client account objectives. Additionally, CFM may accept any reasonable limitation or restriction to such authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to CFM in writing. However, CFM consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.



## **Item 17: Voting Client Securities**

### **Proxy Voting**

CFM does not accept or have the authority to vote client securities. CFM will not be deemed have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

### **Mutual Funds**

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

### **Class Actions**

CFM does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **Item 18: Financial Information**

### **Financial Condition**

CFM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

CFM is not required to provide a balance sheet; CFM does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

# **Canty Financial Management, Inc.**

## **Form ADV Part 2B**

### **Investment Adviser Brochure Supplement**

**Supervisor: William J. Canty**

**Supervisor of:**  
Maureen R. Walsh

**March 2011**

This brochure supplement provides information about the Firm's Supervised Persons that supplements the Canty Financial Management, Inc.'s brochure. You should have received a copy of that brochure.

Please contact William J. Canty or Maureen R. Walsh, if you did not receive Canty Financial Management, Inc.'s brochure or if you have any questions about the contents of this supplement. Additional information about the Firm's Supervised Persons is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

20 Church Avenue  
Ballston Spa, NY 12020  
[Bill@CantyFinancial.com](mailto:Bill@CantyFinancial.com)

## **Educational Background and Business Experience**

CFM requires that advisers in its employ have earned a four-year college degree and/or have a minimum of five years investment related experience.

### **Supervised Persons**

#### ***William J. Canty***

***Born 1963***

##### **Preceding 5 years Business Experience:**

Canty Financial Management, Inc. (1997 – Present)  
President, Chief Compliance Officer, Portfolio Manager

##### **Educational Background:**

Niagara University - Bachelor of Business Administration (1985)  
CPA - Certified Public Accountant (1992)  
CFP® - Certified Financial Planner™ practitioner (1999)  
(see minimum qualifications required for professional designations on page 29)

#### ***Maureen R. Walsh***

***Born 1957***

##### **Preceding 5 years Business Experience:**

Canty Financial Management, Inc. (2002 – Present)  
Vice President, Investment Advisor Representative

##### **Educational Background:**

University of Massachusetts - Bachelor of Arts (1979)

## **PROFESSIONAL DESIGNATIONS MINIMUM QUALIFICATIONS REQUIRED**

### **CFP® - Certified Financial Planner**

Issued by: Certified Financial Planner Board of Standards, Inc.

Prerequisites/Experience Required: Candidate must meet the following requirements:

- A bachelor's degree (or higher) from an accredited college or university, and
- 3 years of full-time personal financial planning experience

Educational Requirements: Candidate must complete a CFP-board registered program, or hold one of the following:

- CPA
- ChFC
- Chartered Life Underwriter (CLU)
- CFA
- Ph.D. in business or economics
- Doctor of Business Administration
- Attorney's License

Examination Type: CFP Certification Examination

Continuing Education/Experience Requirements: 30 hours every 2-years

**CPA - Certified Public Accountant**: CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members<sup>1</sup> are required to follow a rigorous *Code of Professional Conduct* which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's *Code of Professional Conduct* within their state accountancy laws or have created their own.

## **Disciplinary Information**

Neither CFM nor any Supervised Persons have been involved in any activities resulting in a disciplinary disclosure.

## **Other Business Activities**

CFM's Supervised Persons are not actively engaged in any other outside business activities.

As disclosed in Form ADV Part 2A Item 5 – Fees and Compensation, neither CFM nor any Supervised Persons receive commissions, bonuses or other compensation based on the sale of securities or other investment products.

## **Additional Compensation**

No Supervised Person receives any formal economic benefit outside of regular salaries or bonuses related to amount of sales, client referrals or new accounts.



## **Supervision**

### **Supervision**

William J. Canty supervises all persons named in this Form ADV Part 2B Investment Adviser Brochure Supplement. William J. Canty supervises these persons by holding regular staff, investment and other ad hoc meetings. In addition, William J. Canty regularly reviews client reports, emails, and trading, as well as employees' personal securities transaction and holdings reports. William J. Canty may be reached at 518-885-3230.