

**Item 1 – Cover Page**

**SMF Financial Advisors, LLC**

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**[www.smfadvisors.com](http://www.smfadvisors.com)**

**July 26, 2011**

This Brochure provides information about the qualifications and business practices of SMF Financial Advisors, LLC (“SMF”). If you have any questions about the contents of this Brochure, please contact us at (973) 472-6250. 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.

SMF 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 SMF also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for SMF is 119193.

## Item 2 – Material Changes

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 dated July 26, 2011 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 the 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 materials 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.

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 Michael Shenker at (973) 472-6250.

Additional information about SMF 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 SMF who are registered, or are required to be registered, as investment adviser representatives of SMF.

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## **Item 4 – Advisory Business**

SMF is owned by an affiliated accounting firm, Sax Macy Fromm & Co. PC. SMF has been providing advisory services since 1999.

As of June 1, 2011, SMF managed \$238,354,600 on a discretionary basis and \$11,802,883 on a nondiscretionary basis.

### **Investment Management Services:**

SMF manages investment portfolios for individuals, qualified retirement plans, trusts, charitable organizations, corporations and small businesses. SMF will work with the client to determine the client's investment objectives and investor risk profile and will design a written investment policy statement. SMF may evaluate the client's existing investments with respect to the client's investment policy and individual performance. SMF will typically,

- a. Analyze the client's financial condition;
- b. Recommend options to achieve the client's financial objectives;
- c. Implement investment strategies; and
- d. Monitor performance of the client's investment.

SMF may work with the client to develop a transition plan in order to move from the client's existing asset allocation to the asset allocation recommended by SMF. SMF uses investment and portfolio allocation software to evaluate alternative portfolio designs. SMF evaluates the client's existing investments with respect to the client's investment policy statement. SMF works with new clients to develop a plan to transition from the client's existing portfolio to the desired portfolio. SMF will then continuously monitor the client's portfolio holdings and the overall asset allocation strategy and hold regular review meetings with the client regarding the account as necessary.

SMF will typically create a portfolio of no-load mutual funds, and may use model portfolios if the models match the client's investment policy. SMF will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. SMF primarily recommends portfolios consisting of passively managed asset class and index mutual funds. SMF primarily recommends mutual funds offered by Dimensional Fund Advisors (DFA). DFA sponsored mutual funds follow a passive asset class investment philosophy with low holdings turnover.

Client portfolios may also include some individual equity securities in situations where disposition of these securities would present an overriding tax implication or the client specifically requests they be retained for a personal reason. These situations will be specifically identified in the client's Investment Policy Statement (IPS).

SMF manages mutual fund and equity portfolios on a discretionary basis according to the investment policy selected by the client.

A client may impose any reasonable restrictions on SMF's discretionary authority, including restrictions on the types of securities in which SMF may invest client's assets and on specific securities, which the client may believe to be appropriate.

SMF may also recommend fixed income portfolios to investment management clients, which consist of managed accounts of individual bonds. SMF will request discretionary authority from investment management clients to manage fixed income portfolios, including the discretion to retain a third party fixed income manager. SMF will prepare a Fixed Income Investment Policy Statement for any client qualifying for separate fixed income portfolio services.

Pursuant to its discretionary authority, SMF will retain a fixed income securities manager. The fixed income securities manager will be provided with the discretionary authority to invest client assets in fixed income securities consistent with the client's Fixed Income Investment Policy Statement. The manager will also monitor the account for changes in credit ratings, security call provisions, and tax loss harvesting opportunities (to the extent that the manager is provided with cost basis information). The manager will obtain SMF's consent prior to the sale of any client securities.

On an ongoing basis, SMF will answer clients' inquiries regarding their accounts and review periodically with clients the performance of their accounts. SMF will periodically, and at least annually, review clients' investment policy, risk profile and discuss the re-balancing of each client's accounts to the extent appropriate. SMF will provide to investment manager any updated client financial information or account restrictions necessary for investment manager to provide sub-advisory services.

In addition to managing the client's investment portfolio, SMF may consult with clients on various financial areas including income and estate tax planning, business sale structures, college financial planning, retirement planning, insurance analysis, personal cash flow analysis, establishment and design of retirement plans and trust designs, among other things.

## **Employee Benefit Plan Services:**

SMF also provides advisory services to participant-directed employee retirement benefit plans. SMF will analyze the plan's current investment platform, and assist the plan in creating an investment policy statement defining the types of investments to be offered and the restrictions that may be imposed. SMF will recommend investment options to achieve the plan's objectives, provide participant education meetings, and monitor the performance of the plan's investment vehicles.

SMF will recommend changes in the plan's investment vehicles as may be appropriate from time to time. SMF generally will review the plan's investment vehicles and investment policy as necessary.

### Advisors Access™ 401k

SMF also offers the Advisors Access™ 401k in coordination with BAM Advisor Services, LLC. In Advisors Access™, SMF provides those services as described above with the direct support of BAM Advisor Services. Clients choosing Advisors Access™ will engage both SMF and BAM Advisor Services, which will provide to the client additional discretionary investment management services.

In Advisors Access™, BAM Advisor Services will exercise discretionary authority to select the plan investments made available to plans' participants. BAM Advisor Services will exercise discretionary authority to select and maintain the plans' investments according to the goals and investment objectives of the plan.

SMF will continue to work with plans to monitor plan investments, provide fiduciary plan advice including regular considerations of the goals and objectives of the plan, and provide participant education services to the plan.

## **Financial Planning Services:**

SMF also provides advice in the form of Financial Planning. Clients purchasing this service may receive a written financial report, providing the client with a detailed financial report designed to achieve their stated financial goals and objectives.

In general, the financial plan will address any or all of the following areas of concern:

- PERSONAL: Family records, budgeting, personal liability, estate information and financial goals.

- EDUCATION: Education IRAs, financial aid, state savings plans, grants and general assistance in preparing to meet dependent's continuing educational needs through development of an education plan.
- TAX & CASH FLOW: Income tax and spending analysis and planning for past, current and future years.
- DEATH & DISABILITY: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- RETIREMENT: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- INVESTMENTS: Analysis of investment alternatives and their effect on a client's portfolio.

SMF gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed and a written report is typically prepared. Should a client choose to implement the recommendations in the plan, SMF suggest the client work closely with his/her attorney, accountant or insurance agent. Implementation of financial plan recommendations is entirely at the client's discretion.

## **Item 5 – Fees and Compensation**

In certain circumstances, all fees, account minimums and their applications to family circumstances may be negotiable.

SMF has contracted with BAM Advisor Services, LLC (BAM), for services including trade processing, collection of management fees, record maintenance, report preparation, marketing assistance, and research. SMF has also contracted with BAM for sub-advisory services with respect to Clients' fixed income accounts. SMF pays a fee for BAM services based on management fees paid to SMF on accounts that use BAM Advisor Services. The fee paid by SMF to BAM consists of a portion of the fee paid by clients to SMF and varies based on the total client assets administered through BAM Advisor Services. These fees are not separately charged to advisory clients.

The specific manner in which fees are charged by SMF is established in a client's written agreement with SMF. Investment Management and Employee Benefit Plan clients will be invoiced in advance at the beginning of each calendar quarter based upon the value (market value based on independent third party sources or fair market value in the absence of market value; client account balances on which SMF calculates fees may vary from account custodial statements based on independent valuations and other accounting

variances, including mechanisms for including accrued interest in account statements) of the client's account at the end of the previous quarter. New accounts are charged a prorated fee for the remainder of the quarter in which the account is incepted (date of first trade).

For Investment Management and Employee Benefit Plan Services, SMF will request authority from the client to receive quarterly payments directly from the client's account held by an independent custodian. Clients may provide written limited authorization to SMF or its designated service provider, BAM, to withdraw fees from the account. Clients will receive custodial statements showing the advisory fees debited from their account(s). Certain third party administrators will calculate and debit SMF's fee and remit such fee to SMF.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

SMF'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, 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. These fees will generally include a management fee and other fund expenses. All fees paid to SMF for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders.

Such charges, fees and commissions are exclusive of and in addition to SMF's fee, and SMF shall not receive any portion of these commissions, fees, and costs.



## **Advisory Fees**

### **Investment Management Services:**

The annual fee for investment management services will be charged as a percentage of assets under management, according to the schedule below:

<b>Assets under management</b>	<b>Annual Fee (%)</b>
On the first \$500,000	1.25%
On the next \$500,000	0.90%
On the next \$1,000,000	0.70%
On the next \$1,000,000	0.50%
On the next \$2,000,000	0.40%
On all amounts thereafter	0.35%

All accounts for members of the client's family (husband, wife and dependent children) or related businesses may be assessed fees based on the total balance of all accounts.

SMF imposes a minimum fee of \$5,000. The minimum fee may be negotiable under certain circumstances.

### **Employee Benefit Plan Services:**

Advisors Access™ 401(k) standard fee schedule is as follows:

<b>Assets under advisement</b>	<b>Annual Fee (%)</b>
On the first \$1,000,000	1.00%
On the next \$1,000,000	0.75%
On the next \$3,000,000	0.55%
On the next \$5,000,000	0.40%
On all amounts thereafter	0.35%

SMF and BAM Advisor Services share this fee according to a percentage negotiated between SMF and BAM Advisor Services. Certain pre-existing employee benefit plan services clients may be on a different fee schedule.

## **Financial Planning Services**

Financial planning fees will be charged as a fixed fee ranging from \$2500 to \$10,000, depending on the nature and complexity of each client's circumstances and upon mutual agreement with the client. An estimate for total hours may be determined at the start of the advisory relationship. 50% of the estimated fee may be due upon signing the advisory agreement, with the balance (based on actual hours) due upon presentation of the plan to the client.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

SMF does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). All fees are calculated as described above and are not charged on the basis of income or capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

## **Item 7 – Types of Clients**

SMF provides services to individuals, qualified retirement plans, trusts, charitable organizations, corporations and small businesses.

SMF generally requires a minimum annual fee of \$5000 and a minimum account size of \$400,000 for individual fixed income portfolio management services. SMF retains the discretion to reduce or waive these minimums based upon individual client circumstances (e.g., the nature of current investments, future contributions by client to the account, etc.).

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

### *Methods of Analysis and Investment Strategy*

SMF's services are based on long-term investment strategies incorporating the principles of Modern Portfolio Theory. SMF's investment approach is firmly rooted in the belief that markets are "efficient" over periods of time and that investors' long-term returns are determined principally by asset allocation decisions, rather than market timing or stock picking. SMF recommends diversified portfolios, principally through the use of passively managed, asset class mutual funds. SMF selects or recommends to clients portfolios of

securities, principally broadly-traded open end mutual funds or conservative fixed income securities to implement this investment strategy.

Although all investments involve risk, SMF's investment advice seeks to limit risk through broad diversification among asset classes and, as appropriate for particular clients the investment directly in conservative fixed income securities to represent the fixed income class. SMF's investment philosophy is designed for investors who desire a buy and hold strategy. Frequent trading of securities increases brokerage and other transaction costs that SMF's strategy seeks to minimize.

In the implementation of investment plans, SMF therefore primarily uses mutual funds and, as appropriate, portfolios of conservative fixed income securities. SMF may also utilize Exchange Traded Funds (ETFs) to represent a market sector.

Clients may hold or retain other types of assets as well, and SMF may offer advice regarding those various assets as part of its services. Advice regarding such assets will generally not involve asset management services but may help to more generally assist the client.

SMF's strategies do not utilize securities that we believe would be classified as having any unusual risks, and we do not recommend frequent trading, which can increase brokerage and other costs and taxes.

SMF receives supporting research from BAM Advisor Services and from other consultants, including economists affiliated with Dimensional Fund Advisors ("DFA"). SMF utilizes DFA mutual funds in client portfolios. DFA mutual funds follow a passive asset class investment philosophy with low holdings turnover. DFA provides historical market analysis, risk/return analysis, and continuing education to SMF.

#### *Analysis of a Client's Financial Situation*

In the development of investment plans for clients, including the recommendation of an appropriate asset allocation, SMF relies on an analysis of the client's financial objectives, current and estimated future resources, and tolerance for risk. To derive a recommended asset allocation, SMF may use a Monte Carlo simulation, a standard statistical approach for dealing with uncertainty. As with any other methods used to make projections into the future, there are several risks associated with this method, which may result in the client not being able to achieve their financial goals. They include:

- The risk that expected future cash flows will not match those used in the analysis
- The risk that future rates of return will fall short of the estimates used in the simulation

- The risk that inflation will exceed the estimates used in the simulation
- For taxable clients, the risk that tax rates will be higher than was assumed in the analysis

### Risk of Loss

#### **Investing in securities involves risk of loss that clients should be prepared to bear.**

All investments present the risk of loss of principal – the risk that the value of securities (mutual funds, ETFs and individual bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

The mutual funds and ETFs utilized by SMF may include funds invested in domestic and international equities, including real estate investment trusts (REITs), corporate and government fixed income securities and commodities. Equity securities may include large capitalization, medium capitalization and small capitalization stocks. Mutual funds and ETF shares invested in fixed income securities are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Among the riskiest mutual funds used in SMF's investment strategies funds are the U.S. and International small capitalization and small capitalization value funds, emerging markets funds, and commodity futures funds. Conservative fixed income securities have lower risk of loss of principal, but most bonds (with the exception of Treasury Inflation Protected Securities, or TIPS) present the risk of loss of purchasing power through lower expected return. This risk is greatest for longer-term bonds.

Certain funds utilized by SMF may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

More information about the risks of any particular market sector can be reviewed in representative mutual fund prospectuses managing assets within each applicable sector.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SMF or the integrity of SMF's management. SMF has no information applicable to this Item.

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

### Affiliated Accounting Firm

SMF is wholly owned by the accounting firm of Sax Macy Fromm & Co., PC. SMF may recommend Sax Macy Fromm & Co., PC to advisory clients in need of accounting services and Sax Macy Fromm & Co., PC may recommend SMF to accounting clients in need of advisory services. Accounting services provided by Sax Macy Fromm & Co., PC are separate and distinct from the advisory services of SMF. No SMF client is obligated to use Sax Macy Fromm & Co., PC for any accounting services. Sax Macy Fromm & Co., PC will continue to provide advisory services incidental to its accounting practice, which includes the preparation of estate plans for clients.

The managing member of SMF, Michael Shenker, is a Shareholder/Director of Sax Macy Fromm & Co., PC. Ralph Heiman is a Shareholder/Director of Sax Macy Fromm & Co., PC. Ralph Heiman will continue to spend a majority of his time on activities other than the services of SMF. Mr. Shenker anticipates spending less than 10 percent of his time engaged in non-advisory activities.

### Affiliated Insurance Firm / SMF Risk Management, LLC

SMF is also affiliated through common ownership with the insurance agency, SMF Risk Management, LLC. Financial planning advice may include insurance needs analysis, and SMF may refer clients to SMF Risk Management, LLC. No advisory client is obligated to purchase insurance products through this affiliated company. A separate and typical commission will be received if a client does purchase an insurance product through SMF Risk Management, LLC. The receipt of this compensation may affect SMF's judgment in recommending products to its clients. While SMF and SMF representatives endeavor at all times to put the interest of the clients first as part of SMF's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of this individual when making recommendations.

### JG Advisors, LLC

SMF has entered into a mutual arrangement with JG Advisors, LLC ("JG"), an SEC registered investment adviser, whereby each firm will provide assistance to the other's clients when the respective principals of each firm are on vacation or during an emergency situation.

Except for this arrangement (which has been confirmed in a written agreement between the parties), both SMF and JG are independent of the other and responsible for their own investment advisory operations and regulatory compliance matters, each maintaining its own written disclosure statement. In order to accomplish this, Michael Shenker, the principal of SMF is registered as an investment adviser representative of JG, and Jo-Ann Gallerstein, the principal of JG, is registered as an investment adviser representative of SMF, as result of which both Jo-Ann Gallerstein and Michael Shenker will be appropriately registered to serve the client's of JG and SMF, respectively.

### BAM Advisor Services, LLC

As described above in Item 4, SMF may exercise discretionary authority provided by a client to select an independent third party investment manager for the management of portfolios of individual fixed income securities. SMF selects BAM Advisors Services, LLC for such fixed income management. SMF also contracts with BAM Advisor Services, LLC for back office services and assistance with portfolio modeling. SMF has a fiduciary duty to select qualified and appropriate managers in the client's best interest, and believes that BAM Advisor Services, LLC effectively provides both the back office services that assist with its overall investment advisory practice and fixed income portfolio management services. The management of SMF continuously makes this assessment. While SMF has a contract with BAM Advisor Services, LLC governing a time period for back office services, SMF has no such fixed commitment to the selection of BAM Advisor Services, LLC for fixed income management services and may select another investment manager for clients upon reasonable notice to BAM Advisor Services, LLC.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

SMF has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. SMF's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth SMF's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with SMF may buy or sell securities for their personal accounts identical or different than those recommended to clients. It is the expressed policy of SMF that no person employed by the firm shall prefer

his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, SMF requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holding reports and quarterly transaction reports to the firm's principal. SMF also requires such access persons to receive approval from the Chief Compliance Officer prior to investing in any IPO's or private placements (limited offerings).

SMF's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. SMF requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

SMF will provide a complete copy of its Code of Ethics to any client or prospective upon request.

It is SMF's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. SMF will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated private fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

SMF arranges for the execution of securities transactions with the assistance of BAM Advisor Services. Through BAM, SMF may participate in the Schwab Advisor Services (SAS) program offered to independent investment advisers by Charles Schwab & Company, Inc., and the Fidelity Institutional Wealth Services (FIWS) program, sponsored by Fidelity

Brokerage Services, LLC ("Fidelity"). Schwab and Fidelity are unaffiliated SEC-registered broker dealers and FINRA member broker dealers.

The Schwab and Fidelity brokerage programs will generally be recommended to advisory clients for the execution of mutual fund and equity securities transactions. SMF regularly reviews these programs to ensure that its recommendations are consistent with its fiduciary duty. These trading platforms are essential to SMF's service arrangements and capabilities, and SMF may not accept clients who direct the use of other brokers. As part of these programs, SMF receives benefits that it would not receive if it did not offer investment advice (See the disclosure under Item 14 of this Brochure).

As SMF will not request the discretionary authority to determine the broker dealer to be used or the commission rates to be paid for mutual fund and equity securities transactions, clients must direct SMF as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that SMF will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. Not all investment advisers require clients to direct the use of specific brokers.

SMF will not exercise authority to arrange client transactions in fixed income securities. Clients will provide this authority to a fixed income manager retained by SMF on client's behalf by designating the portfolio manager with trading authority over client's brokerage account. Clients will be provided with the Disclosure Brochure (Form ADV Part 2) of portfolio manager.

SAS and FIWS do not generally charge clients a custody fee and are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through the broker or that settle into the clients' accounts at the brokers. Trading client accounts through other brokers may result in fees (including mark-ups and mark-downs) being charged by the custodial broker and an additional broker. While SMF will not arrange transactions through other brokers, the authority of the fixed income portfolio manager includes the ability to trade client fixed income assets through other brokers.

SMF does not have any arrangements to compensate any broker dealer for client referrals.

SMF does not maintain any client trade error gains. SMF makes client whole with respect to any trade error losses incurred by client caused by SMF.



SMF 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 SMF arranges transactions. BAM Advisor Services, LLC, in the management of fixed income portfolios, will aggregate certain transactions among client accounts that it manages, in which case an SMF client's orders may be aggregated with an order for another client of BAM Advisor Services, LLC who is not an SMF client. See BAM Advisor Services, LLC Form ADV Part 2.

### **Employee Benefit Plan Services:**

SMF does not arrange for the execution of securities transactions for plans as a part of this service. Transactions are executed directly through employee plan participation.

### **Financial Planning Services:**

SMF's financial planning practice, due to the nature of its business and client needs, does not include blocking trades, negotiating commissions with broker dealers or obtaining volume discounts, nor necessarily obtaining the best price. Clients will be required to select their own broker dealers and insurance companies for the implementation of financial planning recommendations. SMF may recommend any one of several brokers. SMF clients must independently evaluate these brokers before opening an account. The factors considered by SMF when making this recommendation are the broker's ability to provide professional services, SMF's experience with the broker, the broker's reputation, and the broker's financial strength, among other factors. SMF's financial planning clients may use any broker or dealer of their choice.

## **Item 13 – Review of Accounts**

### **Reviews:**

#### **Investment Management Services**

Account assets are supervised continuously and formally reviewed quarterly by the Managing Member of SMF. The review process contains each of the following elements:

- a. assessing client goals and objectives;
- b. evaluating the employed strategy(ies);
- c. monitoring the portfolio(s); and
- d. addressing the need to rebalance.

Additional account reviews may be triggered by any of the following events:

- a. a specific client request;
- b. a change in client goals and objectives;
- c. an imbalance in a portfolio asset allocation; and
- d. market/economic conditions.

For fixed income portfolios, certain account review responsibilities are delegated to a third party investment manager as described above in Item 4.

### **Employee Benefit Retirement Plan Services:**

Retirement plan assets are reviewed no more than quarterly, and according to the standards and situations described above for investment management accounts.

### **Reports:**

All clients will receive quarterly performance reports, prepared by BAM and reviewed by SMF, that summarize the client's account and asset allocation. Clients will also receive monthly statements from their account custodian, which will outline the client's current positions and current market value.

Advisors Access™ 401(k) provides annual reports with fiduciary benchmarks to plan sponsors. Advisors Access™ 401(k) also provides quarterly information regarding investment returns and participant education that may be distributed by the sponsor or plan's administrator to the participants of the plan.

Financial planning clients will receive reports as contracted for at the inception of the advisory relationship.

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

### **Other Compensation**

As indicated under the disclosure for Item 12, SAS and FIWS each respectively provide SMF with access to services, which are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge to them.

These services benefit SMF but may not benefit its clients' accounts. Many of the products and services assist SMF in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of SMF's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of SMF's accounts. Recommended brokers also make available to SMF other services intended to help SMF manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. SMF does not, however, enter into any commitments with the brokers for transaction levels in exchange for any services or products from brokers. While as a fiduciary, SMF endeavors to act in its clients' best interests, SMF's requirement that clients maintain their assets in accounts at SI or FIWS may be based in part on the benefit to SMF of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the brokers, which may create a potential conflict of interest.

SMF also receives software from DFA, which SMF utilizes in forming asset allocation strategies and producing performance reports. DFA also provides continuing education for SMF personnel. These services are designed to assist SMF plan and design its services for business growth.

#### Client Referrals

SMF may from time to time compensate, either directly or indirectly, any person (defined as a natural person or a company) for Client referrals. SMF is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940 and similar state regulations. As such, appropriate disclosure shall be made, all written instruments will be maintained by SMF and all applicable Federal and/or State laws will be observed.

### **Item 15 – Custody**

Investment Management and Employee Benefit Plan Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. SMF urges you to carefully review such

statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

SMF requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold. For fixed income securities, this authority will include the discretion to retain a third party money manager for fixed income accounts. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

When selecting securities and determining amounts, SMF observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to SMF in writing.

## **Item 17 – Voting *Client* Securities**

Proxy Voting: As a matter of firm policy and practice, SMF does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive applicable proxies directly from the issuer of securities held in clients' investment portfolios. However, SMF may provide advice to clients regarding the clients' voting of proxies.

Class Actions, Bankruptcies and Other Legal Proceedings: Clients should note that SMF will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct SMF to transmit copies of class action notices to the client or a third party. Upon such direction, SMF will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain

financial information or disclosures about SMF's financial condition. SMF 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.