

## **Investment Adviser Brochure Part 2A**

### **Schmidt Financial Group, Inc.**

620 Kirkland Way, Suite 205  
Kirkland, WA 98033  
Main Telephone No. (425) 893-9195  
[www.schmidtfinancialgroup.com](http://www.schmidtfinancialgroup.com)

This brochure provides information about the qualifications and business practices of Schmidt Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at (425) 893-9195.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

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

The use of the term registered investment adviser does not imply a certain level of skill or training.

**March 21, 2011**

## **Item 2 – Material Changes**

There were no material changes to this brochure since the last annual update. This is the first version of the brochure in this format.

### Item 3 – Table of Contents

Item 2 – Material Changes .....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation .....	6
Item 6 – Performance-Based Fees and Side-By-Side Management .....	7
Item 7 – Types of Clients .....	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 8.A – Frequent Trading of Securities .....	11
Item 8.B – Material Risks of Particular Securities .....	11
Item 9 – Disciplinary Information .....	12
Item 9.A – Criminal or Civil Actions .....	12
Item 9.B – Administrative Proceedings .....	12
Item 9.C – Self-Regulatory Organization (“SRO”) Proceedings .....	12
Item 10 – Other Financial Industry Activities and Affiliations .....	13
Item 10.A – Broker-Dealer Registration .....	13
Item 10.B – Futures Commission Merchant/Commodities .....	14
Item 10.C – Relationships with Related Persons .....	14
Item 10.D – Relationships with Other Advisers.....	14
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
Item 11.A – Code of Ethics.....	14
Item 11.B – Participation or Interest in Client Transactions .....	15
Item 11.C – Personal Trading by Associated Persons .....	15
Item 11.D – Conflicts of Interest with Personal Trading by Associated Persons.....	15
Item 12 – Brokerage Practices.....	16
Item 12.A – Factors in Selecting or Recommending Broker-Dealers .....	16
Item 12.A1 – Research and Other Soft Dollar Benefits .....	16
Item 12.A2 – Brokerage for Client Referrals .....	17
Item 12.A3 – Directed Brokerage .....	17
Item 12.B – Trade Aggregation .....	17
Item 13 – Review of Accounts .....	17
Item 14 – Client Referrals and Other Compensation.....	17
Item 15 – Custody.....	18
Item 16 – Investment Discretion .....	18
Item 17 – Voting Client Securities.....	18
Item 18 – Financial Information .....	18

## **Item 4 – Advisory Business**

Schmidt Financial Group, Inc. has been in business since 2004 and National Financial Partners Corporation is the principal owner.

### **Assets Under Management**

As of February 7, 2011 Schmidt Financial manages \$246,000,000 in non-discretionary client assets.

### **Investment Management Services**

Schmidt Financial Group, Inc. ("SFG" or "Schmidt Financial") provides non-discretionary investment advisory services in two specific programs:

- Private Wealth Management/Separate Accounts (SMA) Program (sponsored and offered through Envestnet Asset Management, "Envestnet"), and
- Private Wealth Management/Mutual Fund Account (MFA) Program (sponsored and offered through SFG with administrative and reporting services offered through Envestnet)

Upon opening an account, clients will receive a SFG Client Services Agreement and a disclosure of all fees. Securities execution, custodial and other administrative services are also provided by SFG and its clearing firms, Union Bank, Portfolio Brokerage Services, and National Financial Services.

Recommendations are based on a client's investment goals and objectives, financial situation and tax status. All purchases by associates of Schmidt Financial on behalf of a client must be with the prior written or verbal authorization of the client.

### **Advisory Referral Programs**

#### *Private Wealth Management/Separate Account (SMA) Program*

The SMA Program is a third party money manager program sponsored by Envestnet, an unaffiliated investment adviser. In their capacity as investment advisory associates of SFG associated persons of Schmidt Financial may refer clients to third party programs. Full disclosure will be provided at the time of solicitation, including a copy of the disclosure brochure for this program.

These entities will be licensed as investment advisers in the states where they conduct business or with the Securities and Exchange Commission. More about the SMA program is provided in the Wrap Fee Brochure.

### *Private Wealth Management/Mutual Fund Account (MFA) Program*

SFG offers customized mutual fund allocations to MFA clients, utilizing mutual funds that have undergone SFG's due diligence investigation, selection, and monitoring process. The mutual fund allocations available are either

1. Strategic Asset Allocations, wherein a specific target asset allocation has been established by SFG that is modified with changes in client investment objectives and risk tolerance;
2. Tactical Asset Allocations, wherein outside consultants are used to establish ranges of allocations within asset classes and to actively manage and make appropriate changes to those ranges;
3. Asset Class Portfolios which contain mutual funds relating to a specific asset class.

More about the MFA program is provided in the Wrap Fee Brochure.

### **Financial Planning Services**

Schmidt Financial provides financial planning services consistent with a client's financial and tax status, in addition to their risk tolerance and investment objectives. Schmidt Financial gathers enough data to perform an analysis of client liabilities, cash flow, net worth and tax assessments. Schmidt Financial also evaluates a client's insurance coverage and needs. Schmidt Financial creates a Financial Roadmap that generally incorporates the following:

#### **Asset Management**

- Detailed Risk Tolerance Assessment
- Asset Allocation Optimization
- Screening and Selection of Funds/Managers
- Personalized, Regularly Updated Financial Plan
- Real Estate Transaction Analysis
- Strategic Portfolio Distribution

#### **Liability Management**

- Tax Planning / Minimization
- Estate Planning
- Education Funding Strategies
- Insurance Planning
- Trust & LLC Personal Liability Strategies

#### **Relationship Management**

- CPA
- Asset Manager
- Attorney

- Private Banking
- Trust Company
- Philanthropy

### **Financial Planning Conflicts of Interest**

There is a potential conflict of interest because there is an incentive for Schmidt Financial offering financial planning services to recommend products or services for which Schmidt Financial or an associated person may receive compensation. However, financial planning clients are under no obligation to act upon any recommendations of Schmidt Financial or to execute any transactions through Schmidt Financial or an associated person if they decide to follow the recommendations.

## **Item 5 – Fees and Compensation**

### **Investment Management Fees**

Fee information is provided in the Private Wealth Management Wrap Brochure.

### **Financial Planning Fees**

Schmidt Financial offers financial planning services on a fixed or hourly basis. Fixed fees range from a minimum of \$250 to \$3,000. The hourly fee is \$250 per hour.

Fees are based on time, complexity, and the range of services provided. They are negotiable and will be agreed upon in advance. No fees are accepted in advance; they are payable upon completion and presentation of the plan.

If clients elect to implement recommendations made in a financial plan, their accounts may incur transaction costs, retirement plan administration fees, and other mutual fund annual expenses that are charged by broker-dealers, plan administrators or mutual fund companies that sell securities or provide additional services to Adviser clients. These fees are in addition to and separate from planning and consulting fees.

Clients will have a period of five (5) business days from the date of signing an agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate the agreement with 30 days written notice.

Schmidt Financial will prorate fees to the date of termination. Since fees are payable only after services are provided, there are no unearned fees and the client will not have a refund due upon early termination of the advisory agreement.

## **Receipt of Additional Compensation**

Investment adviser representatives may receive brokerage or mutual fund trail commissions for the sale of securities to clients in their capacities as a registered representative and registered principal of a broker-dealer. This practice may present a potential conflict of interest as it provides an incentive to recommend investment products based on the compensation to be received rather than on the client's needs. Schmidt Financial monitors trading practices and regularly reviews client securities transactions in order to protect clients against this conflict of interest. Clients are advised that they are not required to purchase or sell securities through the investment adviser representatives acting in the capacities of registered representative and registered principal of a broker-dealer and may purchase the same securities or products from an unaffiliated broker-dealer.

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

Schmidt Financial does not charge or receive, directly or indirectly, any performance-based fees.

## **Item 7 – Types of Clients**

Schmidt Financial provides advisory services to:

- Individual – Trusts, estates, 401(k) plans and IRAs of a household count as one individual.
- High net worth individuals – This describes someone who individually or jointly with a spouse have more than \$750,000 managed by Schmidt Financial or a net worth of \$1,500,000 excluding the value of their primary residence.
- Business entities including sole proprietorships
- Pension and profit sharing plans (other than plan participants)

## **Account Minimums**

Schmidt Financial requires a minimum of \$50,000 to establish a new advisory account; however, the minimum may be waived at the sole discretion of Schmidt Financial. In addition, Schmidt Financial may continue to service existing accounts that have values that are below the minimum.

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

### **Method of Analysis**

Schmidt Financial's main sources of financial information are prospectuses, research materials prepared by others, corporate rating services, annual reports and company press releases. Schmidt Financial may utilize official statements, continuing disclosures and other information available through the MSRB's Electronic Municipal Market Access system (EMMA) when analyzing municipal securities.

#### *Fundamental Analysis*

Schmidt Financial uses fundamental analysis. Fundamental analysis involves predicting the price movement of an asset based on measures that are related to the underlying business. This method is used to judge the performance of management. (Although it is important to note that things outside of management's control can impact performance.) Comparing the margins of the company and its relative performance to that of two or three of its peers will give an idea of whether the performance is potentially outside of management's control.

#### *Technical Analysis*

Schmidt Financial uses technical analysis. Technical analysis involves predicting the price movement of an asset based on factors unrelated to the underlying business (price, volume, and open interest, among other factors, to detect and interpret patterns to predict the movement of individual securities, an industry or the broad market).

Charting is a subsector of technical analysis and also focuses on predicting price movements of assets based on patterns that are formed by the price movements. Schmidt Financial may recommend one or a combination of assets and investment strategies as follows:

### **Mutual and Exchange Traded Funds**

Schmidt Financial recommends index and actively managed, mutual and exchange traded funds when designing client portfolios. Schmidt Financial considers index funds based on how closely the funds' characteristics mirror the indices they track.

Schmidt Financial analyzes actively managed funds by comparing funds that target the same market sector and have the same investment style using prospectuses and other sources of information.

Schmidt Financial reviews the following prior to recommending funds to clients:

- Rank in Category over various periods
- Return Rating



- Risk Rating
- YTD Return (Outsize swings in comparisons to peers can be a sign of risky practices such as placing large bets on certain sectors of the market.)
- 1 Yr Return
- 3 Yr Return
- 5 Yr Return (Typically over a five year period, the economy experiences a complete cycle. However, the way in which a manager operates in various economic environments reflects the manager's ability to make adjustments or stay the course.)
- Loads
- Total Expense Ratios
- Turnover
- Median Market Capitalization
- Morningstar Rating

Schmidt Financial also takes the manager or management team tenure under consideration to determine who was responsible for generating the performance numbers.

### **Variable Annuities**

A variable annuity ("VA") is an insurance contract with an investment component. Investments are typically managed through pooled investment vehicles called subaccounts. Schmidt Financial analyzes VA contracts based on the contract and subaccount features. The criterion used to analyze subaccounts is similar to the processes used for mutual and exchange traded funds.

Variable annuities typically offer:

- Regular stream of income or a lump sum payout at a future time
- Tax-deferred treatment of earnings
- Death benefits

### **Variable Life Insurance**

Variable life insurance is an insurance policy that builds cash value by giving the owner the ability to invest the premiums. The owner also has flexibility in making premium payments due to changes in the cash value. The criterion used to analyze subaccounts is similar to the processes used for mutual and exchange traded funds.

## **Public Equity**

A corporation may issue stock to the general public after registration. Stock represents an ownership interest in a company. Schmidt Financial uses valuation measures and financial information, evaluates the regulatory environment, analyzes products or services that are available or under development and the factors that can impact them to predict the price movement of a company's stock. Schmidt Financial also makes comparisons to the company's peers and to the broader market.

## **Corporate Debt & Municipal Securities**

Schmidt Financial generally analyzes the current yield, yield to maturity, yield to call, call and default risks, and interest coverage.

Debt is issued by federal, state and foreign governments and corporations to finance their operations. Debt represents their promise to repay the borrowed amount with interest according to the terms and conditions of the debt instrument.

Debt obligations offer limited participation in the upside of a business. In exchange holders receive interest and a position that is generally senior to equity in a bankruptcy.

## **Private Securities**

Some securities are acquired in unregistered, private sales from the issuer or from an affiliate of the issuer typically through, Regulation D or other private placement offerings or employee stock benefit plans, as compensation for professional services, or in exchange for providing start-up capital. Schmidt Financial reviews the applicable offering documents. Schmidt Financial may analyze:

- Management structure
- Backgrounds of management personnel
- Management and director compensation
- Financial statements
- Regulatory environment
- Competitors
- Products and services differentiators
- Threats to a company's ability to execute its business plan

In the case of pooled investments Schmidt Financial may also analyze:

- Allocation of profits, losses and taxes
- Custody of securities and cash
- Lock-up period or any limitations towards the redemption of interest
- Exemptions from registration and types of investors
- Investment strategy, objective and the use of leverage
- Conflicts and potential conflicts of interest
- Performance information Gross or Net and how calculated
- Valuation particularly of illiquid securities and hard assets

## **Investment Strategies**

Schmidt Financial tailors its portfolio design and distribution strategies for each client based on their unique goals, risk tolerance and personal circumstances. Schmidt Financial does not use rigid model portfolios. Schmidt Financial meets with clients on a regular basis to ensure their plan continues to fit their evolving circumstances and risk parameters.

Schmidt Financial incorporates analysis and decision-making along a number of intertwined aspects of a client's financial life. Schmidt Financial broadens its focus beyond investment management to incorporate the distinct aspects of a client's financial plan into a coherent roadmap for reaching their personal and financial goals.

## **Risk of Loss**

Clients are advised that investing in securities involves the risk of loss of the entire principal amount invested including any gains. Clients should not invest unless they are able to bear this risk. Any of the above investment strategies may lead to a loss on investments.

Even hedging strategies may fail if markets move against the hedged investments. In addition, investing carries with it opportunity risk it is impossible to accurately predict the sectors of the market or asset classes that will have more favorable returns for a given period.

## **Item 8.A – Frequent Trading of Securities**

Schmidt Financial is not involved in the frequent trading of securities.

## **Item 8.B – Material Risks of Particular Securities**

Schmidt Financial doesn't recommend any type of security that involves significant or unusual risks except for the following which may present material risks to investors:

**Municipal securities** – Municipal securities are backed by either the full faith and credit of the issuer or by revenue generated by a specific project (like a toll road or parking garage) for which the securities were issued. The latter type of securities could quickly lose value or even become virtually worthless if the expected project revenue does not meet expectations.

**Variable annuities** – VAs may be subject to:

- Taxes and federal penalties for early withdrawal
- Surrender charges for early withdrawal can last for several years
- Earnings taxed at ordinary income tax rates
- Mortality expense to compensate the insurance company for insurance risks
- Fees and expenses imposed for the subaccounts
- Other features with additional fees and charges

- Investment losses

**Variable Life Insurance** – If the performances of the underlying investments are below expectations the death benefit and cash value may decrease. Maintaining the death benefit increases the cost of the policy.

**Partnership interests** (real estate, oil and gas interests) – Investment partnerships are typically composed of a limited number of partners and at least one general partner. The liability of the limited partners is restricted to the amount of each partner's investment. The liability of the general partner is theoretically unlimited and extends beyond the amount invested to personal or corporate assets. Because of this increased exposure, the general partner manages the partnership, makes the investment decisions and receives management fees and a higher portion of the return on partnership investments.

Because of the nature of the limited partnership structure partnership investments should be considered long term and illiquid. There are typically no secondary markets in which these types of investments trade. Therefore, if the value of the underlying assets should decline, the value of partnership shares would also decline and unlike other types of securities, an investor may find it hard to quickly sell shares in an illiquid market.

Clients should consult Schmidt Financial if they have questions concerning the basic characteristics of these or other investment products or about the risks and potential rewards of investing.

## **Item 9 – Disciplinary Information**

Schmidt Financial does not have any disciplinary information to disclose.

### **Item 9.A – Criminal or Civil Actions**

Neither Schmidt Financial nor any management person has been found guilty of or has any criminal or civil actions pending in a domestic, foreign or military court.

### **Item 9.B – Administrative Proceedings**

Neither Schmidt Financial nor any management person has any administrative proceedings pending before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

### **Item 9.C – Self-Regulatory Organization ("SRO") Proceedings**

Neither Schmidt Financial nor any management person have been found by any SRO to have caused an investment-related business to lose its authorization to do business, or to have been involved in violating the SRO's rules, or were barred or suspended from membership or from associating with other members, or were expelled from membership, otherwise significantly limited from investment-related activities, or fined.

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

### **Item 10.A – Broker-Dealer Registration**

Some associated persons of SFG are registered securities representatives of NFP Securities, Inc., an affiliated registered broker-dealer, member of the Financial Industry Regulatory Authority ("FINRA"), and a registered investment adviser. NFP Securities, Inc. is a diversified financial services company engaged in the distribution of investment advice and investment products. Some associated persons of the applicant are registered representatives of NFP Securities, Inc., and insurance agents/brokers of various insurance companies. In such capacities, associated persons of the applicant may receive normal commissions and/or other compensation associated with those activities.

National Financial Partners Corporation owns a controlling interest in NFP Securities, Inc. NFP Securities, Inc. and SFG are affiliated only by virtue of this common control. National Financial Partners Corporation is an independent financial services distribution network offering specialized financial services to high net-worth individuals and corporations. Some associated persons of SFG may recommend securities or insurance products offered by NFP Securities, Inc., and receive normal commissions if products are purchased through them.

Thus, a potential conflict of interest may exist between the interests of the associated persons and those of the advisory clients. However, clients are under no obligation to act upon any recommendations of the associated persons or affect any transactions through the associated persons if they decide to follow the recommendations.

Under the rules and regulations of FINRA, NFP Securities, Inc., has obligations to maintain records and perform other functions regarding certain aspects of the investment advisory activities of its registered representatives in relation to certain advisory accounts for which its registered representatives provide investment advice. These obligations require NFP Securities, Inc., to coordinate with, and have the cooperation of the account custodian.

In order to fulfill its obligation, NFP Securities, Inc., has established a list of custodian and brokerage firms which it has arranged to obtain the required cooperation, and which therefore may be utilized for custody of accounts directly advised either by registered representatives of NFP Securities, Inc., who are investment advisers or other investment advisory entities which are affiliated with registered representatives of NFP Securities, Inc.

In certain instances, NFP Securities, Inc., will collect, as paying agent for the Adviser, the investment advisory fee remitted to the Adviser by the account custodian, and NFP Securities, Inc., may retain a portion as a charge to the investment adviser (not the client) for the functions NFP Securities, Inc., is required to carry out by FINRA.

This fee will not increase execution or brokerage charges to the client or the fee the client has agreed to pay to the Adviser pursuant to the client's advisory agreement. A portion of the fee retained by NFP Securities, Inc., may be re-allowed to other registered representatives of NFP Securities, Inc., who, as registered representatives of NFP Securities, Inc., are responsible for the supervision of other representatives and assist NFP Securities, Inc., with the functions described above.

### **Item 10.B – Futures Commission Merchant/Commodities**

Neither Schmidt Financial nor any management person is a commodity broker/futures commission merchant, a commodity pool operator, commodity trading advisor or an associated person for the foregoing entities; nor do they have any registration applications pending.

### **Item 10.C – Relationships with Related Persons**

See Item 10.A.

#### **Conflicts of Interest**

See Item 10.A.

### **Item 10.D – Relationships with Other Advisers**

See Item 10.A.

#### **Conflicts of Interest**

See Item 10.A.

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

### **Item 11.A – Code of Ethics**

Schmidt Financial has adopted a Code of Ethics that sets forth standards of conduct expected of advisory personnel and to address conflicts that arise from personal trading by advisory personnel. Advisory personnel are obligated to adhere to the Code of Ethics, and applicable securities and other laws.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. Schmidt Financial will provide a copy of the Code to any client or prospective client upon request.

## **Item 11.B – Participation or Interest in Client Transactions**

### **Principal Trading**

Neither Schmidt Financial nor any affiliated broker-dealer affects securities transactions as principal with Schmidt Financial's clients.

### **Personal Trading of Associates Affiliated with a Brokerage Firm**

In their capacity as a registered representative or registered principal of NFP Securities, Inc., associated persons of Schmidt Financial may receive payments from certain mutual funds distributed pursuant to a 12b-1 distribution plan, or other such plans, as compensation for administrative services, representing a separate financial interest. However, advisory associates do not receive 12b-1 fees on ERISA and other retirement accounts to include but not limited to IRA accounts.

As such, a conflict of interest may exist with respect to recommendations to buy or sell securities. In all cases, recommendations are made in the best interests of the client. Schmidt Financial does not permit insider trading and has implemented procedures to ensure that its policy regarding insider trading is being observed by associated persons.

### **Agency-Cross Action Transactions**

Neither Schmidt Financial nor any associated person recommends to clients, or buys or sells for client accounts securities in which Schmidt Financial or an associated person has a material financial interest. Neither Schmidt Financial nor any associated person acting as a principal, buys securities from (or sells securities to) clients, acts as general partner in a partnership in which Adviser solicits client investments, or acts as an investment adviser to an investment company that Schmidt Financial recommends to clients.

## **Item 11.C – Personal Trading by Associated Persons**

Schmidt Financial recommends that clients invest in various types of assets. Schmidt Financial and its associated persons may invest in the same types of assets. Permitted investments for associated persons are all asset classes.

See Item 11.D for information concerning conflicts of interest

## **Item 11.D – Conflicts of Interest with Personal Trading by Associated Persons**

Associated persons may own an interest in or buy or sell for their own accounts the same securities, which may be recommended to advisory clients. Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients and their personal transactions are regularly monitored.

Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may also buy or sell a specific security for their own account based on personal investment considerations, which Schmidt Financial does not deem appropriate to buy or sell for clients.

## **Item 12 – Brokerage Practices**

### **Item 12.A – Factors in Selecting or Recommending Broker-Dealers**

#### **Brokerage Recommendations**

Associated persons in their capacity as registered representative or registered principal of NFP Securities, Inc., may suggest that clients implement recommendations through NFP Securities, Inc. If the client so elects, associated persons would receive normal and customary commissions as sales agents resulting from any securities transactions, presenting associated persons with a conflict of interest. Furthermore, in implementing a plan through relationships maintained by associated persons, clients may pay commissions or fees that are higher or lower than those that may be obtained elsewhere for similar services. Clients are advised that they are under no obligation to implement the plan or its recommendations through the associated persons acting in their capacities as registered representative and registered principal.

#### **Brokerage Recommendations by Persons Associated with Other BD/IAs**

Associated persons in their capacities as registered representative and registered principal may suggest that clients implement recommendations through NFP Securities, Inc. If the client so elects, associated persons would receive normal and customary commissions as sales agents resulting from any securities transactions, presenting associated persons with a conflict of interest.

Furthermore, in implementing a plan through relationships maintained by associated persons, clients may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services. Clients are advised that they are under no obligation to utilize broker-dealer services through the associated persons in their capacities as registered representatives.

#### **Item 12.A1 – Research and Other Soft Dollar Benefits**

Schmidt Financial does not receive soft dollars generated by clients' securities transactions. The term "soft dollars" refers to funds which are generated by client trades being used by Schmidt Financial to purchase products or services (such as research and enhanced brokerage services) from or through the broker-dealers whom Schmidt Financial engages to execute securities transactions.



### **Item 12.A2 – Brokerage for Client Referrals**

Schmidt Financial does not refer clients to particular broker-dealers in exchange for client referrals from those broker-dealers.

### **Item 12.A3 – Directed Brokerage**

Schmidt Financial does not recommend that clients direct their brokerage business to any particular broker-dealer.

### **Item 12.B – Trade Aggregation**

Schmidt Financial's investment strategies do not present an opportunity to aggregate trades.

## **Item 13 – Review of Accounts**

All accounts are subject to a regular and ongoing review in an active management style to assure conformity with client objectives and guidelines. Accounts are reviewed in light of emerging trends and developments as well as market volatility. In addition, a change in the client's investment objective or financial situation may trigger a review.

Clients receive reports showing holdings and performance, which are delivered to clients quarterly. Detailed reports, which may include realized gains/losses, interest and dividends earned are reported to clients no less than annually.

Clients receive confirmations of transactions and statements of positions from the account custodian, either via mail or secure online view, no less than quarterly. Client account status from custodian, including balances, holdings and transactions are available for online client view via secure connection.

Financial Planning client accounts are reviewed annually. Financial Planning clients receive a printed Financial Plan, representing Schmidt Financial's investment recommendations.

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

On occasion, Schmidt Financial may refer clients to other professionals for services that Schmidt Financial is unable to perform. In turn, Schmidt Financial may receive referrals from these firms.

Although there is no direct monetary benefit derived from these arrangements, they are mutually beneficial and provide an indirect benefit. Schmidt Financial will never base its referrals solely on any formal or informal arrangement.

## **Item 15 – Custody**

Schmidt Financial doesn't accept custody of client funds or securities. Client assets are held by qualified custodians.

## **Item 16 – Investment Discretion**

Schmidt Financial doesn't select the securities to be bought or sold without obtaining specific client consent.

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

Schmidt Financial does not accept authority to vote proxies on behalf of clients as a matter of policy. Clients will receive their proxy information directly from [their custodian or a transfer agent or from Schmidt Financial].

Clients may contact Schmidt Financial with questions about a particular solicitation by telephone at (425) 893-9195.

## **Item 18 – Financial Information**

Schmidt Financial doesn't require prepayment of advisory fees or have custody so no audited balance sheet is being provided.

**Investment Adviser  
Brochure Supplement Part 2B  
Glenda Sue Schmidt**

Schmidt Financial Group, Inc.  
620 Kirkland Way, Suite 205  
Kirkland, WA 98033  
Main Telephone No. (425) 893-9195  
[www.schmidtfinancialgroup.com](http://www.schmidtfinancialgroup.com)

This brochure supplement provides information about Glenda S. Schmidt that supplements the Schmidt Financial Group, Inc. brochure. You should have received a copy of that brochure. Please contact us if you did not receive Schmidt Financial Group, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Glenda S. Schmidt is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**March 21, 2011**

## **Item 2 – Educational Background and Business Experience**

Ms. Schmidt was born in 1949. She received a Bachelor of Arts and Master of Business Administration degrees from San Jose State University in 1978 and 1980 respectively.

### **Business Experience**

<b>Firm Name and Title</b>	<b>Dates</b>
Schmidt Financial Group, Inc., President	11/1999 to present
NFP Securities, Inc., Registered Principal	04/2003 to present
Financial Network Investment Corporation, Registered Principal	03/1995 to 03/2003
Schmidt Financial Group, Owner	12/1993 to 11/1999

## **Item 3 – Disciplinary Information**

Ms. Schmidt does not have any legal or disciplinary events to disclose. Ms. Schmidt is not the subject of any pending legal, disciplinary or administrative proceedings.

## **Item 4 – Other Business Activities**

Ms. Schmidt is a registered principal of NFP Securities, Inc., an affiliated registered broker-dealer, member of the Financial Industry Regulatory Authority ("FINRA"), and a registered investment adviser. NFP Securities, Inc. is a diversified financial services company engaged in the distribution of investment advice and investment products.

Some associated persons of the applicant are registered representatives of NFP Securities, Inc., and insurance agents/brokers of various insurance companies. In such capacities, associated persons of the applicant may receive normal commissions and/or other compensation associated with those activities.

In these capacities Ms. Schmidt may recommend securities, insurance, or other products, and receive commissions and other compensation if products are purchased through any firms with which Ms. Schmidt is affiliated.

Thus, a potential conflict of interest may exist between the interests of Ms. Schmidt and those of the advisory clients. However, clients are under no obligation to act upon any recommendations of Ms. Schmidt or affect any transactions through Ms. Schmidt if they decide to follow the recommendations.

## **Item 5 – Additional Compensation**

Please refer to Item 4 - Other Business Activities above.

## **Item 6 – Supervision**

Ms. Schmidt is an officer of the Adviser and does not have a supervisor.

**Investment Adviser  
Brochure Supplement Part 2B**

**Timothy Dean Griffith**

Schmidt Financial Group, Inc.  
620 Kirkland Way, Suite 205  
Kirkland, WA 98033  
Main Telephone No. (425) 893-9195  
[www.schmidtfinancialgroup.com](http://www.schmidtfinancialgroup.com)

This brochure supplement provides information about Timothy D. Griffith that supplements the Schmidt Financial Group, Inc. brochure. You should have received a copy of that brochure. Please contact us if you did not receive Schmidt Financial Group, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Timothy D. Griffith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**March 21, 2011**

## **Item 2 – Educational Background and Business Experience**

Mr. Griffith was born in 1959. He received a Bachelor of Arts degree from the University of Washington in 1982.

### **Business Experience**

<b>Firm Name and Title</b>	<b>Dates</b>
Schmidt Financial Group, Inc., Vice President	10/2000 to present
NFP Securities, Inc., Registered Representative	04/2003 to present
Financial Network Investment Corporation, Registered Representative	10/2000 to 03/2003
Dreyfus Corporation, Wholesaler	12/1999 to 10/2000

## **Item 3 – Disciplinary Information**

Mr. Griffith does not have any legal or disciplinary events to disclose. Mr. Griffith is not the subject of any pending legal, disciplinary or administrative proceedings.

## **Item 4 – Other Business Activities**

Mr. Griffith is a registered principal of NFP Securities, Inc., an affiliated registered broker-dealer, member of the Financial Industry Regulatory Authority ("FINRA"), and a registered investment adviser. NFP Securities, Inc. is a diversified financial services company engaged in the distribution of investment advice and investment products.

Some associated persons of the applicant are registered representatives of NFP Securities, Inc., and insurance agents/brokers of various insurance companies. In such capacities, associated persons of the applicant may receive normal commissions and/or other compensation associated with those activities.

In these capacities Mr. Griffith may recommend securities, insurance, or other products, and receive commissions and other compensation if products are purchased through any firms with which Mr. Griffith is affiliated.

Thus, a potential conflict of interest may exist between the interests of Mr. Griffith and those of the advisory clients. However, clients are under no obligation to act upon any recommendations of Mr. Griffith or affect any transactions through Mr. Griffith if they decide to follow the recommendations.

## **Item 5 – Additional Compensation**

Please refer to Item 4 - Other Business Activities above.

## **Item 6 – Supervision**

Mr. Griffith's supervisor is Ms. Glenda Schmidt, President. Clients may contact Ms. Schmidt at (425) 893-9195.



**Investment Adviser  
Brochure Supplement Part 2B**

**Ryan Kenneth Schmidt**

Schmidt Financial Group, Inc.  
800 W. El Camino Real, Suite 180  
Mountain View, CA 94040  
Main Telephone No. (650) 903-2298  
[www.schmidtfinancialgroup.com](http://www.schmidtfinancialgroup.com)

This brochure supplement provides information about Ryan K. Schmidt that supplements the Schmidt Financial Group, Inc. brochure. You should have received a copy of that brochure. Please contact us if you did not receive Schmidt Financial Group, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Ryan K. Schmidt is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**March 21, 2011**

## **Item 2 – Educational Background and Business Experience**

Mr. Schmidt was born in 1978. He received a Bachelor of Arts and Master of Business Administration degrees from Stanford University, in 2000 and 2006 respectively.

### **Business Experience**

<b>Firm Name and Title</b>	<b>Dates</b>
Schmidt Financial Group, Inc., Vice President	08/2006 to present
VMware, Product Manager Intern	06/2005 to 08/2005
Advent International, Associate	07/2002 to 01/2004
Boston Consulting Group, Associate	09/2000 to 06/2002

## **Item 3 – Disciplinary Information**

Mr. Schmidt does not have any legal or disciplinary events to disclose. Mr. Schmidt is not the subject of any pending legal, disciplinary or administrative proceedings.

## **Item 4 – Other Business Activities**

Mr. Schmidt is not involved in any other business activity or occupation that involves a substantial amount of time or pay.

## **Item 5 – Additional Compensation**

Please refer to Item 4 - Other Business Activities above.

## **Item 6 – Supervision**

Mr. Schmidt's supervisor is Ms. Glenda Schmidt, President. Clients may contact Ms. Glenda Schmidt at (425) 893-9195.

**Investment Adviser  
Brochure Supplement Part 2B**

**Evan Todd Schmidt**

Schmidt Financial Group, Inc.  
620 Kirkland Way, Suite 205  
Kirkland, WA 98033  
Main Telephone No. (425) 893-9195  
[www.schmidtfinancialgroup.com](http://www.schmidtfinancialgroup.com)

This brochure supplement provides information about Evan T. Schmidt that supplements the Schmidt Financial Group, Inc. brochure. You should have received a copy of that brochure. Please contact us if you did not receive Schmidt Financial Group, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Evan T. Schmidt is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**March 21, 2011**

## **Item 2 – Educational Background and Business Experience**

Mr. Schmidt was born in 1983. He received a Bachelor of Science degree from the University of Southern California in 2005.

### **Business Experience**

<b>Firm Name and Title</b>	<b>Dates</b>
Schmidt Financial Group, Inc., Vice President	07/2009 to present
Deloitte Consulting, Consultant	02/2006 to 06/2009

## **Item 3 – Disciplinary Information**

Mr. Schmidt does not have any legal or disciplinary events to disclose. Mr. Schmidt is not the subject of any pending legal, disciplinary or administrative proceedings.

## **Item 4 – Other Business Activities**

Mr. Schmidt is not involved in any other business activity or occupation that involves a substantial amount of time or pay.

## **Item 5 – Additional Compensation**

Please refer to Item 4 - Other Business Activities above.

## **Item 6 – Supervision**

Mr. Schmidt's supervisor is Ms. Glenda Schmidt, President. Clients may contact Ms. Glenda Schmidt at (425) 893-9195.