

## Form ADV Part II

### Item 1 – Cover Page

# SCHIAVI + DATTANI

2710 Centerville Road – Suite 201  
Wilmington, DE 19808  
(302) 994-4444  
SDFinancialAdvisors.com  
October 5, 2012

This brochure provides information about the qualifications and business practices of SCHIAVI + DATTANI. If you have any questions about the contents of this brochure, please contact us at (302) 994-4444. 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.

SCHIAVI + DATTANI 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 information from which one determines to hire or retain an Adviser.

Additional information about SCHIAVI + DATTANI is available on the firm's website at [www.SDfinancialadvisors.com](http://www.SDfinancialadvisors.com) and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

We will provide a new brochure, as necessary, based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting Vincent A. Schiavi, President at (302) 994-4444.

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## **Item 4 – Advisory Business**

### **Financial Planning & Investment Management**

The primary service offered by SCHIAVI + DATTANI combines both Financial Planning and Investment Management in a carefully integrated process. Financial Planning includes: The setting of goals and objectives, a detailed assessment of a client's current situation, the development of specific strategies designed to help a client achieve stated goals, and the presentation of a thorough written financial plan. The plan will review all of the financial elements of a client's life, including cash flow, debts, education expense funding, investments, insurance, income taxes, retirement, and estate planning. Investment Management is tailored to support specific Financial Planning objectives. It includes the establishment of an appropriate Investment Policy Statement (IPS), and the design, implementation, and monitoring of the investment portfolio. Our service is designed to help clients achieve goals and objectives, taking into consideration their values and stage of life.

The term Financial Plan Management encompasses all services provided after the delivery, presentation, and discussion of the financial plan and IPS.

Clients receive an annual tax planning review with projections, and clients with school age children receive an annual education expense review. An annually updated personal Net Worth statement is also provided.

At year-end clients receive a report of fees paid to SCHIAVI + DATTANI, as well as a summary of taxable gains and losses from investment activity.

### **Hourly Consultations**

A consultation can be recommended to a prospective client who is not considered a good match for the more comprehensive financial planning services.

### **Investment Advisory Services to Qualified Plans, Trusts & Non-Profit Organizations**

Investment Advisory Services are available to the trustees of certain trusts, qualified retirement plans, and to directors of non-profit organizations. Terms and fees would be disclosed in the proposed Service Agreement.

### **Assets Managed**

SCHIAVI + DATTANI managed \$301,202,000 of financial assets on behalf of its clients as of December 31, 2011.

Assets managed on a discretionary basis, as of December 31, 2011, were \$246,658,300.

Assets managed on a non-discretionary basis, as of December 31, 2011, were \$54,543,700.

Please note that all assets managed by SCHIAVI + DATTANI on a discretionary basis are managed in accordance with agreed upon guidelines found in the client's customized IPS.

## **Item 5 – Fees and Compensation**

Fees are disclosed in advance and, at the discretion of SCHIAVI + DATTANI, may be subject to negotiation.

**Financial Planning and Investment Management** - The specific manner in which fees are charged is established in a written Service Agreement presented to prospective clients in advance of the service. A separate fee may be charged for the preparation of a written financial plan or, alternately, it may be included in the quarterly Plan Management fee. Quarterly Plan Management fees are deducted from client accounts in advance of the service period. Clients receive an invoice showing the amount and account to be billed prior to the processing of the fee. The initial quarterly Plan Management fee is based on the client's Investable Assets, as defined in the Service Agreement. Subsequent adjustments will be made every two years or if the fee, as calculated according to the schedule in the Service Agreement, is 20% higher or lower than the current Plan Management fee being charged.

Hourly Consultations are billed at rates that vary by the experience and expertise of the advisor. Payment is requested upon completion of the consultation.

Investment Advisory Services to entities such as trusts, qualified retirement plans, and non-profits are billed in advance and in accordance with the fee schedule found in the Service Agreement.

SCHIAVI + DATTANI 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 SCHIAVI + DATTANI's fee, and SCHIAVI + DATTANI shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that SCHIAVI + DATTANI considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

SCHIAVI + DATTANI does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

SCHIAVI + DATTANI offers financial planning and investment advisory services to individuals, including high net worth individuals.

SCHIAVI + DATTANI offers investment advisory services to trusts, retirement plans, and non-profit organizations.

While SCHIAVI + DATTANI has no strict minimum account size, clients tend to have financial assets in excess of \$1 million, or have the ability to reach that level quickly through significant annual additions.

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

### **How Client Portfolios Are Designed**

SCHIAVI + DATTANI prepares an Investment Policy Statement (IPS) in cooperation with the client that includes a determination of the client's Risk Tolerance and Risk Capacity, a targeted investment allocation, and the level of deviations from the target that will trigger rebalancing the portfolio back to an acceptable allocation.

In designing an appropriate investment allocation to match a client's risk attributes, SCHIAVI + DATTANI starts by looking at historical correlations of asset classes and volatility. The current economic and financial environment is reviewed to determine if there are any factors that unduly expose certain investment categories to heightened volatility. A targeted allocation is arrived at by considering both historical data and current factors. The targeted allocation will, in all cases, be a diversified basket of stocks, bonds, and real assets. Within each of these major asset classes, strategies will be employed that we anticipate will respond differently to changes in interest rates and economic growth.

SCHIAVI + DATTANI primarily uses mutual funds to achieve exposure to asset class targets and generally favors the use of active versus passive strategies. Active management is defined as a style that does not strictly adhere to a market benchmark. SCHIAVI + DATTANI generally favors managers whose security selections are meaningfully different from the indexes they are benchmarked against.

Once an acceptable pool of actively managed funds is selected, SCHIAVI + DATTANI looks at a manager's track record, amount of assets being managed, expense ratios, and whether or not a manager has his or her own monies invested in the fund being managed before incorporating a particular fund into an investment allocation. All acceptable funds are then compared to each other to make sure recommended funds are meaningfully different. Differences can exist in the areas of style (growth versus value), market capitalization, and/or investing methodology (quantitative vs. non-quantitative) to name a few. In summary, a lot of judgment goes into fund selection.

The risk attributes and goals of the client guide SCHIAVI + DATANI in determining the recommended allocation by major asset class and the proportions of each fund or security included in the portfolio.

### **How Risk Is Approached**

Successful investing involves acknowledging and understanding a wide variety of risks, including, but not limited to, purchasing power risk (inflation), interest rate movements, and the volatility of financial markets.

Risk Tolerance is defined as the client's emotional ability to withstand risk. SCHIAVI + DATTANI evaluates a client's Risk Tolerance initially through the use of a professional assessment tool and over time through the observation of a client's reaction to market volatility.

Risk Capacity is defined as a client's financial ability to withstand risk. SCHIAVI + DATTANI evaluates a client's Risk Capacity by understanding the client's stage in life and financial resources. Clients generally fall within either the Wealth Accumulation or the Wealth Distribution phase. Clients in the Wealth Accumulation stage, and able to add to their investment portfolio with consistent contributions, can accommodate more risk. They have the flexibility to adjust savings goals or retirement dates to reflect changing economic factors and goals.

SCHIAVI + DATTANI works with clients in the Wealth Distribution phase by helping them target a cash withdrawal rate that can be sustained during their lifetime. This can only be done after gaining a thorough understanding of the client's goals, objectives, and financial resources.

To measure whether a withdrawal rate is sustainable, SCHIAVI + DATTANI uses a mathematical modeling technique known as Monte Carlo simulation. This tool analyzes whether a withdrawal rate, given various asset class returns and other assumptions, can be sustained over a given period (i.e. life expectancy). It runs multiple scenarios of outcomes from a database of historically possible returns to build probabilities of financial outcomes.

Clients with projected withdrawal rates that are well within their portfolio's capacity will be matched with somewhat higher investment risk allocations than allocations considered appropriate for clients with more significant withdrawal needs.

The overall objective is to select an investment risk allocation that is in line with a client's Risk Tolerance and Risk Capacity putting the client in the best possible position to achieve primary goals, such as maintaining a reasonable lifestyle and covering health related costs, and secondary goals, such as leaving a certain amount of assets to heirs.

## **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 SCHIAVI + DATTANI or the integrity of SCHIAVI + DATTANI's management.

SCHIAVI + DATTANI, including its predecessors dating back to 1983, has never been the subject of any legal or disciplinary event or proceedings related to its financial planning or investment advisory services.

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

The main service offered by SCHIAVI + DATTANI combines both Financial Planning and Investment Management in a carefully integrated process. Financial Planning includes the setting of goals and objectives, a detailed assessment of a client's current situation, the development of specific strategies designed to help a client achieve stated goals, and the presentation of a thorough written financial plan.

SCHIAVI + DATTANI does not receive any commissions, equipment, or non-research services from any custodian.

SCHIAVI + DATTANI does not receive any referral fees from any professional as a result of referring clients to them for services.

SCHIAVI + DATTANI participates in *Fidelity Wealth Advisor Solutions*®. (See Item 14)

## **Item 11 – Code of Ethics**

SCHIAVI + DATTANI has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients.

**SCHIAVI + DATTANI – Code of Ethics**



Recognizing our fiduciary responsibility to clients and the public, we uphold the highest standards of care in the industry by espousing and practicing: Objectivity, Fairness and Suitability, Full Disclosure, Confidentiality, Integrity and Honesty, Professionalism, Competence, and Regulatory Compliance.

We require that all supervised persons (employees) comply with all applicable Federal securities laws.

We require that all supervised persons (employees) report their personal securities transactions and holdings on a quarterly basis.

We require that all supervised person's (employee's) reports of securities transactions and holdings be reviewed by the firm's Compliance Officer.

We require that the firm's Compliance Officer comply with applicable Federal securities laws.

We require that all supervised persons (employees) report any violations of our Code of Ethics promptly to our Compliance Officer.

We require that all supervised persons (employees) receive a copy of our Code of Ethics and any amendments.

We require that all supervised persons (employees) provide written acknowledgment of their receipt of the code and any amendments. These copies are to be retained in the files of the firm's Compliance Officer.

We require that all supervised persons (employees) obtain approval before they directly or indirectly acquire beneficial ownership in any security in an initial public offering or in a limited offering.

Supervised persons (employees) understand that failure to comply with this Code of Ethics could result in disciplinary measures, including probation without pay or dismissal from employment with SCHIAVI + DATTANI.

#### **SCHIAVI + DATTANI – Fiduciary Oath**

The advisor shall exercise his/her best efforts to act in good faith and in the best interests of the client. The advisor shall provide written disclosure to the client prior to the engagement of the advisor, and thereafter throughout the term of the engagement, of any conflicts of interest, which will, or reasonably may, compromise the impartiality or independence of the advisor.

The advisor, or any party in which the advisor has a financial interest, does not receive any compensation or other remuneration that is contingent on any client's purchase or sale of a financial

product. The advisor does not receive a fee or other compensation from another party based on the referral of a client or the client's business.

## **Item 12 – Brokerage Practices**

The applicant uses the institutional service department of Fidelity Investments as the main consolidating custodial broker for client accounts. The advisor believes that Fidelity offers the best combination of trading services, low costs, and technology to support the advisor in meeting the needs of its clients.

SCHIAVI + DATTANI has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides SCHIAVI + DATTANI with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist SCHIAVI + DATTANI in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing, and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping, and client reporting.

Fidelity also offers other services intended to help SCHIAVI + DATTANI manage and further develop its advisory practice. Such services include, but are not limited to, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom SCHIAVI + DATTANI may contract directly.

SCHIAVI + DATTANI is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. SCHIAVI + DATTANI does not receive any compensation from Fidelity as a result of these charges.

Fidelity is providing SCHIAVI + DATTANI with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

SCHIAVI + DATTANI participates in the *Fidelity Wealth Advisor Solutions*® program. Wealth Advisor Solutions is a referral program designed to introduce high net worth investors to independent registered investment advisors. SCHIAVI + DATTANI does not compromise any of its client-centered, fiduciary approach to client service as a result of participation in this program. (See Item 14)

As a result of using the institutional services of Fidelity, the advisors of SCHIAVI + DATTANI have a dedicated service team to respond to inquiries about client accounts. SCHIAVI + DATTANI has, in the past, been able to negotiate discounted transaction fees for clients using Fidelity. There is no guarantee that these discounts will continue into the future.

## **Item 13 – Review of Accounts**

### **Reviews**

In addition to the Financial Planning reviews described in Item 4, investment accounts are reviewed on a continuous basis to make sure they adhere to each client's specific Investment Policy Statement. We utilize technology to help manage this process.

Investment Policy Statements are reviewed, and updated if necessary, every two (2) years, unless there is a material change in the Client's goals or circumstances.

The IPS contains a recommended target allocation for each major investment category, as well as minimum and maximum percentage allocations for each category. SCHIAVI + DATTANI has systems in place that will trigger a review of a client's portfolio if the actual allocation falls outside the recommended minimum or maximum allocation.

### **Reviewers**

Members of the firm's professional staff of CFPs and CPAs are involved in the preparation of financial plans and Investment Policy Statements. The professional staff also performs research and prepares recommendations on planning topics and investments.

Planning ideas and investment direction are discussed and concluded upon by members of the professional staff and supervised by the firm's principals – Vincent A. Schiavi and Ravi P. Dattani.

### **Nature and Frequency of Reports to Clients**

Clients receive monthly statements by account from their investment custodians. SCHIAVI + DATTANI prepares and delivers a consolidated household investment summary on a quarterly basis.

Clients receive an in-house produced newsletter on a quarterly basis, as well as other correspondence during the year as needed.

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

SCHIAVI + DATTANI does not receive any referral fees from any professional as a result of referring clients to them for services.

SCHIAVI + DATTANI participates in the Fidelity Wealth Advisor Solutions Program (the “WAS Program”), through which SCHIAVI + DATTANI receives referrals from Strategic Advisers, Inc. (“SAI”), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. SCHIAVI + DATTANI is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control SCHIAVI + DATTANI, and SAI has no responsibility or oversight for SCHIAVI + DATTANI’s provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for SCHIAVI + DATTANI, and SCHIAVI + DATTANI pays referral fees to SAI for each referral received based on SCHIAVI + DATTANI’s assets under management attributable to each client referred by SAI or members of each client’s household.

The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to SCHIAVI + DATTANI does not constitute a recommendation or endorsement by SAI of SCHIAVI + DATTANI’s particular investment management services or strategies.

To receive referrals from the WAS Program, SCHIAVI + DATTANI must meet certain minimum participation criteria. As a result of its participation in the WAS Program, SCHIAVI + DATTANI may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including Fidelity Brokerage Services, LLC (“FBS”), for execution, custody and clearing for certain client accounts, and Adviser may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to SCHIAVI + DATTANI as part of the WAS Program.

Pursuant to these arrangements, SCHIAVI + DATTANI has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when SCHIAVI + DATTANI’s fiduciary duties would so require; therefore, SCHIAVI + DATTANI may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit SCHIAVI + DATTANI’s duty to select brokers on the basis of best execution.

## **Item 15 – Custody**

Clients should receive monthly or quarterly statements from the custodian that holds and maintains their investment assets. SCHIAVI + DATTANI urges clients to carefully review such statements and compare official custodial records to SCHIAVI + DATTANI reports. SCHIAVI + DATTANI's reports may vary slightly from custodial statements as a result of accounting procedures, reporting dates, or the valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

SCHIAVI + DATTANI usually receives discretionary authority from the client at the outset of an advisory relationship to select securities to be bought or sold within the mutually agreed upon guidelines found in the Investment Policy Statement.

Trading authority may be granted by the client to SCHIAVI + DATTANI as a result of opening institutional level brokerage accounts with independent custodians, but discretionary trading is not exercised by SCHIAVI + DATTANI unless specifically authorized by the client in the Service Agreement.

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

As a matter of firm policy and practice, SCHIAVI + DATTANI 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. If requested, SCHIAVI + DATTANI may provide advice to clients regarding proxy voting matters.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SCHIAVI + DATTANI's financial condition.

SCHIAVI + DATTANI 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.