

Form ADV Part 2A – Firm Brochure

Item 1 – Cover Page

Deerfield Financial Advisors, Inc.

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Indianapolis, IN 46240

www.deerfieldfa.com

Date of Brochure: March 2012

This brochure provides information about the qualifications and investment advisory business practices of Deerfield Financial Advisors, Inc. If you have any questions about the contents of this brochure please contact Susan M. Steel (317-469-2455 and/or ssteel@deerfieldfa.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about our investment advisory business is also available on the Internet at www.adviserinfo.sec.gov. You can view our information on this website by searching for “Deerfield Financial Advisors” by name or by using the Firm’s CRD number. The CRD number for the Firm is 104964.

*Registration as an investment advisor does not imply a certain level of skill or training.

Item 2 – Material Changes

There have been no material changes to this disclosure brochure since filing our last annual update in March 2011. We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

General Description of Advisory Firm

Deerfield Financial Advisors, Inc. (also referred to as Deerfield Financial Advisors and the Firm) is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and is a Corporation formed under the laws of the State of Indiana.

- The Firm’s Chief Executive Officer and Managing Director is Richard Bellmer. Mr. Bellmer owns 33 1/3% of the Firm
- The Firm’s Chief Operating Officer, Chief Financial Officer and Chief Compliance Officer is Susie Steel. Ms. Steel is also a Firm Director and owns 33 1/3% of the Firm
- The Firm’s Chief Investment Officer, Investment Committee Chairperson and Director of Business Development is Bradley Coughill. Mr. Coughill owns 33 1/3% of the Firm.
- Deerfield Financial Advisors has been registered as an investment advisor since September 5, 1985.
- Through Deerfield Financial Advisors, we offer and consider ourselves to specialize in providing personalized fee-only Financial Planning and Investment Advisory Services.

Description of Advisory Services

Clients are advised that the investment recommendations and advice we offer does not constitute legal or accounting advice. Therefore, you should coordinate and discuss the impact of financial advice with your attorney and/or accountant. Clients are advised that it is necessary to inform Deerfield Financial Advisors promptly with respect to any changes in their financial situation, investment goals and objectives. Failure to notify Deerfield Financial Advisors of any such changes could result in investment recommendations not meeting the needs of the client.

Deerfield Financial Advisors is not be required to verify information received from a client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on information provided by clients. Deerfield Financial Advisors may recommend other professionals to implement certain types of recommendations that we may not be able to implement ourselves or lack the necessary expertise. You are under no obligation to act upon any of the recommendations made by Deerfield Financial Advisors under a Financial Planning and Consulting engagement (including reports generated through our Wealth Management Services) and/or engage the services of any recommended professional.

Wealth Management Services

Deerfield Financial Advisors provides advisory services in the form of Wealth Management Services which can be described as a broad range of financial planning, investment management (see below), and financial planning and investment consulting (see below). Through this service, we essentially combine our Investment Management Services with consulting on other “non-managed” accounts while also developing financial planning and advice (see Financial Planning and Consulting Services below).

See Item 5 of this Brochure for fee descriptions.

Investment Management Services

We provide advisory services in the form of Investment Management Services. Investment Management Services involve providing clients with continuous and on-going supervision over client accounts. This means that Deerfield Financial Advisors will continuously monitor a client's account and make trades in client accounts when necessary.

Through this service, Deerfield Financial Advisors implements a customized and individualized investment program for clients by applying our investment strategy and philosophy. Deerfield Financial Advisors shall actively manage client investment portfolios in accordance with the client's individual needs, return objectives and risk tolerance.

Investment Management Services are primarily provided through accounts at Charles Schwab & Company, Inc. as a result of the Firm's participation in the Schwab Advisor Services platform. Charles Schwab & Company, Inc. is a registered broker/dealer, members of the Financial Industry Regulatory Authority (FINRA) and the Securities Investors Protection Corporation (SIPC), and will serve as the client's qualified custodian and maintain physical custody of all client funds and securities. We are also willing to manage accounts held at other broker/dealers and qualified custodians selected by the client (conditional upon our approval) including variable annuities owned by the client and accounts established directly at retirement plan sponsors.

You must designate Deerfield Financial Advisors as your investment advisor on the accounts you'd like us to manage. Deerfield Financial Advisors will be granted limited power-of-attorney on the account to implement trades within the account and (when agreed to by the client) deduct the Deerfield Financial Advisors advisory fees from the account. Please refer to Item 12 for more information regarding the Firm's brokerage arrangements.

Clients are always responsible for notifying Deerfield Financial Advisors of any changes to their financial situation or investment objectives. At least annually, we will contact each client for the specific purpose to determine whether the client's financial situation or investment objectives have changed. We are always reasonably available to consult with clients relative to the status of their accounts. A client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the accounts. A separate account is always maintained for each client with the broker-dealer/custodian and the client retains all rights of ownership to their accounts (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

It is important to understand that Deerfield Financial Advisors manages investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed appropriate for your account(s) and other accounts advised by our Firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Clients may make additions to their accounts in cash or securities provided that Deerfield Financial Advisors reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. Deerfield Financial Advisors may consult with clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

See Item 5 of this Brochure for fee descriptions.

Financial Planning and Consulting Services

Financial Planning

We provide advisory services in the form of financial planning consultations and written financial planning. Financial Planning Services do not involve the active management of client accounts, but instead focus on a client's overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through business planning, investment management, tax and cash-flow planning, asset allocation, risk management, retirement planning, estate planning, education planning, and other areas. The role of a financial planner is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives.

Financial planning discussions begin at the onset of the relationship and are integrated into investment planning while investments are transferred or changes are initiated to portfolios that have been transferred to Deerfield Financial Advisors for its Investment Management Services (see following section). Financial Planning Services may be specific or modular in their preparation (unique to each client in their depth of preparation). Specific issues covered in a financial plan are contingent upon each client's unique needs and circumstances, but the following are basic areas in which our planning may focus.

- Business Planning
- Investment Management
- Insurance/Risk Management (Life, Disability, and Long Term Care)
- Retirement Planning
- Education Planning
- Estate Planning
- Tax Planning and Cash Flow Needs Analysis

Financial Planning Services may take into consideration factors such as your financial/investment objectives, risks you are willing to undertake, investment knowledge, net worth, income, age, projected retirement, unusual or material funding requirements, inheritance possibilities, pensions, stock options, social security, children/relative funding issues, estate issues, and living expenses expressed in today's dollars requested for retirement.

While Financial Planning Services are prepared with the intention of clients implementing recommendations made within the plan through our Investment Management Services, you are not obligated to do so. If you elect to implement our advice provided as part of the Financial Planning Services, implementation will be made through the Investment Management Services described below.

See Item 5 of this Brochure for fee descriptions.

Investment Consulting

We also provide advisory services in the form of oral and written investment consulting services. Similar to our Investment Management Services, we review and analyze investment holdings in light of the specific type of account, but we may not be involved with implementing any recommendations. Clients receiving this service must understand that the Firm may or may not provide on-going reviews of accounts through this service and information about such accounts is limited to information provided exclusively by the client. Clients always have the sole discretion to accept or reject the Firm's advice. The client must implement all trades in such accounts because the Firm will not have discretion over such account.

Investment consulting services may cover, but are not limited to, the following topics: portfolio analysis, asset allocation strategies, and specific investment recommendations. The Firm provides consulting services on accounts and other investment holdings owned by the client but not included under the Firm's Investment Management Services. These are accounts for which trading authorization is not granted to the Firm. Examples may include a client's 401(k) or other retirement account, 529 college planning account, and other accounts held "away" from the Firm's platform. Clients must understand that the Firm does not provide on-going reviews of such accounts, and information about such accounts is limited to information provided exclusively by the client. When Deerfield Financial Advisors provides consulting advice on accounts and investments, the client will have the sole discretion to accept or reject the Firm's advice. The client must implement all trades in such accounts because the Firm will not have discretion over such account.

Clients are free to implement any or all of the recommendations made by Deerfield Financial Advisors with another financial institution, and are not obligated in any manner to implement the advice of Deerfield Financial Advisors through the Firm.

See Item 5 of this Brochure for fee descriptions.

Investment Monitoring

We also provide advisory services in the form of oral and written investment monitoring services. These investment monitoring services are limited aspects of our Investment Management Services. Clients receiving this service must understand that the Firm may or may not provide on-going reviews of accounts through this service and information about such accounts is limited to information provided exclusively by the client. Clients always have the sole discretion to accept or reject the Firm's advice. The client must implement all trades in such accounts because the Firm will not have discretion over the account(s).

Deerfield Financial Advisors provides investment monitoring services in the form of oral commentary and written reporting. Investment monitoring services cover the following topics: account reconciliation, performance calculation, portfolio reporting, asset allocation statement, cost basis tracking, and year end tax reporting. The Firm may provide investment monitoring on accounts and other investment holdings owned by the client but not included under the Firm's investment management services. These are accounts for which trading authorization is not granted to the Firm. Examples may include a client's 401(k) or other retirement account or other accounts held "away" from the Firm's platform. Clients must understand that the Firm does not provide on-going reviews of such accounts, and information about such accounts is limited to information provided by the client, the custodian, and/or electronic data feeds for account transactions. When Deerfield Financial

Advisors provides consulting advice on accounts and investments, the client will have the sole discretion to accept or reject the Firm's advice. The client must implement all trades in such accounts because the Firm will not have discussion over such accounts.

Clients are free to implement any or all of the recommendations made by Deerfield Financial Advisors with another financial institution, and are not obligated in any manner to implement the advice of Deerfield Financial Advisors through the Firm.

See Item 5 of this Brochure for fee descriptions.

Limits Advice to Certain Types of Investments

We only provide investment advice on the following types of investments.

- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares (primarily no-load mutual funds and funds traded at Net-Asset Value)
- Exchange Traded Funds (ETFs)
- United States government securities
- Options contracts on securities
- Interests in partnerships investing in real estate, oil and gas interests

Deerfield Financial Advisors may recommend clients that are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the client's investment objectives. When Deerfield Financial Advisors recommends that the client invest in private placement securities, Deerfield Financial Advisors shall receive no additional compensation but shall continue to receive applicable investment advisory fees on the client's assets under management.

When managing accounts through our Investment Management Services program we primarily allocate client assets among mutual funds, ETFs and/or individual debt securities in accordance with the investment objectives of the client.

(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)

Tailor Advisory Services to Individual Needs of Clients

Our services are always provided based on the individual needs of each client. This means, for example, that we discuss the individual issues involved in transitioning current holdings into Deerfield's Investment Management Services program and determine if we need to accommodate any nuances to make this happen in a tax efficient manner. Deerfield Financial Advisors works with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information.

When managing client accounts through the Firm's Investment Management Services program, we manage accounts in accordance with multiple investment models that are developed and monitored by our investment team. Through the management of the models, each client's portfolio is managed based on the underlying model to which it is assigned. The determination to use a particular model or models is always based on each client's individual investment goals, objectives and mandates, even though we do not customize (individualize) clients portfolio to the extent they do not fall within a model.

(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)

Client Assets Managed by Deerfield Financial Advisors

The amount of clients assets managed by Deerfield Financial Advisors totaled \$475,705,966 as of December 31, 2011. \$370,620,462 is managed on a discretionary basis and \$105,085,503 is managed on a non-discretionary basis.

Item 5 – Fees and Compensation

In addition to the information provided in Item 4 – Advisory Business, this section provides details regarding our fees and compensation arrangements.

Fees for Wealth Management Services

Clients receiving our Wealth Management Services will be charged an annual fee that combines a fixed-fee component along with a fee based upon the percentage of the market value of the assets being managed by our Firm. The fixed fee and asset-based fee together are divided and charged quarterly, in advance. The fixed fee component ranges between \$2,500 and \$15,000 annually depending on the client's financial planning needs, non-management account consulting needs and the Deerfield Financial Advisors professional working with the client.

Please see the following section, Fees for Investment Management Services, for a description of how we determine the asset-based component of the annual fee. The following section also describes our methods for collecting the quarterly fee.

The investment advisory agreement between Deerfield Financial Advisors and the client will continue in effect unless terminated by either party by written notice in accordance with the terms and conditions of the *Discretionary Wealth Management Agreement*. The Firm's investment management fee shall be prorated through the date of termination. Any unearned fees will be pro-rated based on the number of days remaining in the quarter and refunded to the client. After Deerfield Financial Advisors receives notice of termination, all transaction expenses generated as a result of requests made by the client, new advisor, agent, or custodian become the financial responsibility of the client.

Fees for Investment Management Services

Clients are charged for our Investment Management Services based on a percentage of assets under management. The following is our standard fee schedule, based on the amount of client assets managed by our Firm.

<u>Total Client Assets</u>	<u>Annual Fee</u>
\$0 – \$2,000,000	0.75% of assets
\$2,000,001 – \$4,000,000	0.65% of assets
\$4,000,001 – \$6,000,000	0.55% of assets

\$6,000,001 & over

0.45% of assets

It should be noted that our standard fee schedules have evolved over the years and some clients that have been with us for a significant number of years are being charged a fee less than the standard fee schedules we've described in this section.

Fees are billed quarterly in advance based on the market value of the account at the end of the previous quarter. The quarterly fee shall be adjusted each quarter to reflect changes in the market value of the account(s). The quarterly fee for initial quarters is pro-rated based on the number of days remaining in the quarter using the value of the account, provided from the client, at the beginning of the client relationship.

Fees are generally deducted directly from the client's account. Clients must provide the custodian with written authorization to have fees deducted from the account and paid to Deerfield Financial Advisors. Some clients choose, with our approval, to pay fees directly to Deerfield Financial Advisors. For clients that pay directly, payment is due upon receipt of the billing statement. *See Item 16 of this Disclosure Brochure for information regarding custody.*

Brokerage commissions and/or transaction ticket fees charged by the custodian will be billed directly to the client. Deerfield Financial Advisors will not receive any portion of such commissions or fees from the custodian or client. In addition, clients may incur certain charges imposed by third parties other than Deerfield Financial Advisors in connection with investments made through the account, including but not limited to, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. Management fees charged by Deerfield Financial Advisors are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

Portions of most clients' portfolios are in mutual funds and ETFs. The mutual funds and ETFs pay advisory fees to the fund advisor and/or managers which reduce the net asset value of their mutual fund holdings. In addition, we bill our clients on an advisory fee based on the value of our client's total portfolio which includes their mutual fund holdings. As a result, clients pay two levels of advisory fees for the management of their assets, both directly to us, and indirectly through the management fees assessed by the funds making up their portfolio.

Whenever possible, we use services of "no-load" products that do not require the use of a broker to handle the transaction. However, for most clients, no-load mutual funds may be purchased through discount brokers with a transaction charge, even though these funds may be purchased directly from the mutual fund companies without a transaction charge. This is done for the convenience of "switching" and investment consolidation for the client and Deerfield Financial Advisors.

The investment advisory agreement between Deerfield Financial Advisors and the client will continue in effect unless terminated by either party by written notice in accordance with the terms and conditions of the advisory agreement. The Firm's investment management fee shall be prorated through the date of termination. Any unearned fees will be pro-rated based on the number of days remaining in the quarter and refunded to the client. After Deerfield Financial Advisors receives notice of termination, all transaction expenses generated as a result of requests made by the client, new advisor, agent, or custodian become the financial responsibility of the client.

Fees for Financial Planning and Consulting Services

Although not common, as an alternative to our Wealth Management Services (which combines investment management, consulting and financial planning), clients may choose to receive one-time or stand-alone Financial Planning and Consulting Services. When doing so, we will charge a fee separate from our Investment Management Services fee. Our Financial Planning and Consulting fees are established based upon the level and scope of the services provided and the professional working with the client.

Hourly Rates

Fees for financial planning services are billed at an hourly rate of \$400. An estimate of the amount of hours needed to complete financial planning services, the hourly fee that will be charged, and the terms of payment will be disclosed and agreed upon prior to any services being provided in the agreement for services. If it is determined that the total cost will exceed the maximum amount quoted, we will contact you to receive authorization to provide additional services. Hourly fees are always due, in-arrears, after completion of the plan or consultation.

Fixed-Fee Option

Depending on the services to be provided, a fixed-fee option may be more appropriate. Fixed fees typically range from \$1,500 to \$6,000. We may require up to one-half of the estimated fee be paid in advance with the remaining amount due upon completion of the financial plan.

Financial planning services terminate upon presentation of the written plan or completion of the consultation services. The client may terminate financial planning services earlier with no penalty, by providing written notice to Deerfield Financial Advisors. However, refunds and final fee payments will be contingent upon the number of hours devoted to the project and the client will be responsible for all time expended prior to termination even if the planning process is not complete.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because Deerfield Financial Advisors, Inc. does not charge or accept performance-based fees which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

Item 7 – Types of Clients

Deerfield Financial Advisors, Inc. generally provides investment advice to the following types of clients:

- Individuals
- Pension and profit sharing plans
- Trusts, estates or charitable organizations
- Corporations or business entities other than those listed above

Minimum Investment Amounts Not Required

There are no minimum investment amounts for establishing an account managed by Deerfield Financial Advisors, however, there will be discussion during the initial complementary meeting to determine if the client embraces Deerfield's investment philosophy and if there is alignment between the services needed and Deerfield's applicable fees. All clients are required to execute an agreement for services prior to commencing any work.

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

Deerfield Financial Advisors uses the following methods of analysis in formulating investment advice.

We have formed an Investment Committee comprised of our internal advisory personnel to perform investment analysis. The Investment Committee meets one time per month to review the performance of investment instruments utilized in client accounts and analyze data collected by the Firm. The Investment Committee does not generally project out into the future, but instead focuses on historical trends of investments.

We primarily use fundamental analysis when evaluating investments. Fundamental analysis attempts to measure investments intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economic and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

Deerfield Investment Advisors uses the following investment strategies when managing client assets and/or providing investment advice.

We believe in a modified version of passive management and investing in asset class funds rather than commercial benchmarks to strive for a more predictable while less risky diversified return. Our strategy can be described as follows:

- ✓ We assume markets work.
- ✓ We try to use the market to our advantage to attempt to maximize returns while minimizing risks by diversifying across asset classes.
- ✓ We strive to minimize transaction costs and tax ramifications by trading primarily for rebalancing, while utilizing low-cost funds.

Generally speaking, our investment strategies are primarily intended for the long-term and clients should be prepared to hold investments for at least one year or longer. However, we will manage or provide advice for the short-term (i.e. investments sold within one year). We may also develop certain option-security strategies.

Because we invest for the long-term, we do not employ an active trading strategy which can increase costs associated with execution and transactions.

More specifically speaking, we develop models and strategies focused on both equity securities and fixed income securities.

Risk of Loss

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk – The stock market as a whole goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When LFAS invests in a an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the

ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

- **Management Risk** – Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produced the expected returns, the value of the investment will decrease.

Item 9 – Disciplinary Information

This item is not applicable to our brochure. Form ADV Part 2 instructions request that Item 9 disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity. There are none.

Item 10 – Other Financial Industry Activities and Affiliations

Deerfield Financial Advisors is an independent fee-only Financial Planning and Investment Advisory firm and only provides fee-only Financial Planning and Investment Advisory Services. The Firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure. We do not have any arrangements whereby we recommend (or refer) clients to a third-party investment advisor, nor do we receive referrals from a third-party investment advisor.

Deerfield Financial Advisors is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution, (6) accountant or accounting firm, (7) lawyer or law firm, (8) insurance company or agency, (9) pension consultant, (10) real estate broker or dealer, or (11) sponsor or syndicator of limited partnerships.

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

Deerfield Financial Advisors has adopted a code of ethics that sets forth the standards of conduct expected of all supervised personnel and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Advisers Act, our Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Deerfield Financial Advisors and any of our supervised personnel. The Code of Ethics also requires that certain personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. Clients may contact Deerfield Financial Advisors to request a copy of its Code of Ethics.

Affiliate and Employee Personal Securities Transactions Disclosure

Our Access Persons may invest in the same investments as those recommended to clients and may hold investments we do not recommend to clients. The fact that our personnel may invest in the same securities recommended to clients creates potential conflicts of interest. We have established certain policies and procedures to control for the various conflicts.

- ✓ Access personnel orders for securities will not precede the majority of client orders. Orders, however, may be aggregated and placed at the same time as client orders (please see the description of our block trading procedures in Item 12 – Brokerage Practices).
- ✓ At no time will personnel hold positions in securities or investments that will materially affect investment performance of clients. Personnel must adhere to their insider trading policy and code of ethics.
- ✓ When Deerfield Financial Advisors is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the Access Person) a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Deerfield Financial Advisors is selling or considering the sale of any security on behalf of a client, no Access Person may effect for themselves or for their immediate family a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.
- ✓ Finally, we have developed policies and procedures under our Code of Ethics requiring all access personnel to provide information regarding their reportable securities (as defined by regulators) for review and monitoring.

Item 12 – Brokerage Practices

Clients wishing to implement the advice provided in conjunction with financial planning services of Deerfield Financial Advisors are free to select any broker/dealer or investment advisor they wish and are so informed.

Advisor Directed Brokerage Arrangements

For clients that wish to establish a managed account or implement our financial planning advice through our Firm, we will recommend, and in some cases require, Charles Schwab & Company, Inc. (Charles Schwab). Therefore, when you sign an agreement with our Firm, you will need to establish a brokerage account with Charles Schwab if you do not already have an account at Charles Schwab. Charles Schwab is a registered broker-dealer, member SIPC, and will maintain custody of your assets and provide execution of securities transactions. Deerfield Financial Advisors is independently owned and operated and not affiliated with Charles Schwab.

Not all investment advisors recommend or require the use of a specific broker/dealer. Some investment advisors allow clients to select the broker/dealer. Please note we do **not** receive any client referrals from Charles Schwab. However, for compliance and operational efficiency purposes, we have decided to utilize the services of Schwab Advisor Services and therefore strongly encourage all clients to open accounts through Charles Schwab when participating in the Firm's Investment Management Services,

On an annual basis, we will review alternative custodians in the marketplace for comparison to the currently used custodian, evaluating criteria such as overall expertise, cost competitiveness and financial condition. Quality of execution for custodians will be reviewed through methods such as trade journal evaluations, blogs, chat rooms, advisor to advisor conversations, and study groups. No single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian.

The decision to require Charles Schwab is largely based on the Firm's participation in Schwab Advisor Services and not solely based on our clients' interest in receiving most favorable execution. However, we certainly consider the overall execution services of Charles Schwab when recommending them over other brokerage platforms.

Through the Schwab Advisor Services platform, Deerfield Financial Advisors is provided with access to Charles Schwab's institutional trading and custody services, which are typically not available to Charles Schwab retail investors. By receiving benefits and services from Charles Schwab, we do not have to produce or pay for them directly. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least: \$10 million of Firm clients' assets is maintained in accounts at Schwab Advisor Services and is not otherwise contingent upon Deerfield Financial Advisors committing to Charles Schwab any specific amount of business (assets in custody or trading). Charles Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Deerfield Financial Advisors' clients' accounts maintained in its custody, Charles Schwab does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Charles Schwab or that settle into Charles Schwab accounts. The commission and/or transaction fees charged by Charles Schwab may be higher than those charged by other broker/dealers. Charles Schwab enables our Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. By establishing the bulk of our client accounts at Charles Schwab we are in a better position to negotiate commission and transaction fees they charge to clients.

Charles Schwab also makes available to Deerfield Financial Advisors other products and services that benefit Deerfield Financial Advisors but may not benefit each clients' account directly. Some of these other products and services assist Deerfield Financial Advisors in managing and administering clients' accounts as a whole. These include software and other technology that provide access to client account data (such as trade confirmation 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 advisory 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 Deerfield Financial Advisors accounts. One specific arrangement between Charles Schwab and Deerfield Financial Advisors is Schwab's discounted software subscription price for Portfolio Center, which results in a cost savings of \$ 5,400. We also received from Schwab a discount of \$4,000 on the consulting fees charged to help us convert to the Portfolio Center software. Portfolio Center is a software application that provides functionality to manage financial data, assist with back-office reports, help monitor client investments, and produce performance/position reports for specific clients. To recognize full disclosure, it is important to note the fact that Charles Schwab has provided a subscription discount, together with any other services provided to independent investment advisory

firms, which could influence an investment advisory firm (including Deerfield Financial Advisors) to continue recommending Charles Schwab over other brokerage platforms.

Schwab Advisor Services also makes available to Deerfield Financial Advisors other services intended to help Deerfield Financial Advisors 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. In addition, Charles Schwab may make available, arrange and/or pay for these types of services rendered to Deerfield Financial Advisors by independent third party providing these services to Deerfield Financial Advisors. While as a fiduciary, Deerfield Financial Advisors endeavors to act in its clients' best interests, and while the recommendation that clients maintain their assets in accounts at Charles Schwab may be based in part on the benefit to Deerfield Financial Advisors of the availability of some of the foregoing products and services; nevertheless, these products and services by facilitating the Firm's workload are also effectively benefiting our clients as well.

Prime Broker Services

Through our relationship with Schwab, we can use the Charles Schwab Prime Broker service. This allows us to place trades with other broker/dealers without the need to have individual accounts with the other broker/dealers. The use of Prime Broker allows greater flexibility to access more fixed income products, ability to access Initial Public Offerings (IPOs), and the ability to access new issue bonds. All assets will be kept in a Schwab account with all confirmations and statements generated by Charles Schwab.

We select other broker/dealers based on the quality of research, services, products offered, execution and commission structures. Both discount and full service broker/dealers may be used, but the lowest cost broker/dealer may not always be utilized. We have not entered into any formal soft-dollar arrangements nor do we receive any referrals from broker/dealers available through the Charles Schwab Prime Broker service.

Trade Errors

Based on industry practice and SEC guidance to broker-dealers, a trade error under this policy is defined as including:

- Inaccurate transmission or execution of any term of an order including, but not limited to: price; number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;
- Unauthorized (because of misunderstanding or mistake) or unintended purchase, sale or allocation of securities, or the failure to follow specific client instructions; and
- Incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals or securities positions reflected in an account.

From time to time an error may occur in submitting a trade order on behalf of the client. When this occurs Deerfield Financial Advisors may place a correcting trade with Charles Schwab. If an investment gain results from the correcting trade, the gain will remain in the clients account unless (1) the same error

involved other client account(s) that should have received the gain, (2) it is not permissible for you to retain the gain, or (3) we confer with you and you decide to forego the gain.

If a loss occurs, the client or Deerfield Financial Advisors will pay for the loss depending on how the error occurred. (If Schwab is the custodian then Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense.) Generally, if related trade errors result in both gains and losses in the client's account, they may be netted. Gains of more than \$100, not retained in the client account, will be donated by Charles Schwab to a charity chosen by Charles Schwab.

Aggregation of Client Orders-Block Trading Policy

Transactions for each client will be traded independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. In these situations, we are inclined to (but are not obligated) aggregate or "block" such orders in hopes to obtain best execution, to negotiate more favorable commission rates, or to allocate trades more equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently.

When aggregating trades, transactions will generally be averaged as to price and allocated among our clients on a pro-rata basis to the purchase and sale orders placed for each client on any given day. To the extent we determine to aggregate client orders for the purchase or sale of the securities, including securities in which our personnel may invest, we shall generally do so in accordance with applicable regulatory rules and guidance provided by the staff of the SEC.

Deerfield Financial Advisors does not receive any additional compensation or remuneration as a result of trade aggregation. In the event we determine that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, Deerfield Financial may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Client Directed Brokerage Arrangements

While we generally recommend, and in some cases require, the use of Charles Schwab, a client may be allowed to select a broker-dealer of their own choosing and still participate in our Investment Management Services program. In addition, we may also render non-discretionary Investment Management Services to clients regarding their (1) variable life/annuity products that they may own, and/or (2) their individual employer-sponsored retirement plans. In these situations, Deerfield Financial Advisors either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall

be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client or at the custodian designated by the sponsor of the client's retirement plan. We do not have any arrangements whereby we recommend specific variable annuity sponsor companies or retirement plan sponsors.

When a client directs the use of a particular broker-dealer or other custodian, we may not be able to obtain the best prices and execution for the transaction. Clients who direct the use of a particular broker-dealer or custodian may receive less favorable prices than would otherwise be the case if clients had not designated a particular broker-dealer or custodian. Further, clients with directed brokerage arrangements will not be able to participate in aggregate trades (i.e. block trades) and directed trades may be placed by Advisor after effecting non-directed trades.

Item 13 – Review of Accounts

Account Reviews and Reviewers

For clients receiving Wealth Management or Investment Management-Only Services, we monitor portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients receiving Financial Planning and/or Consulting Services, either as a separate engagement or as part of Deerfield Financial Advisors' Wealth Management services, reviews are conducted on an "as needed" basis depending upon the needs of each client.

Such reviews are conducted by the Financial Advisor or Financial Planner assigned to each client. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Deerfield Financial Advisors and to keep Deerfield Financial Advisors informed of any changes thereto. Deerfield Financial Advisors shall contact ongoing investment advisory clients at least annually to review services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Statements and Reports

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Clients receiving Investment Management Services also receive written reports from Deerfield Financial Advisors that include such relevant account and/or market-related information as an inventory of account holdings and account performance. Written reports may be provided to clients via uploads to our client vault, as-requested, and at client meetings.

Item 14 – Client Referrals and Other Compensation

Client Referrals

We do not directly or indirectly compensate anyone for client referrals.

Other Compensation

- ✓ The only form of compensation received from advisory services is the fees charged for providing investment such services as described in Item 5 of this brochure.
- ✓ We receive no other forms of compensation in connection with providing investment advice.

- ✓ However, please refer to Item 12 to read information regarding the benefits received from our brokerage arrangements.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

Deerfield Financial Advisors is deemed to have custody of client funds and securities whenever the Firm is given the authority to have fees deducted directly from client accounts. For a select number of client accounts (401k plans, 403b and 457 plans, retirement plans, & self directed brokerage accounts) not held through Charles Schwab, we can log-in to a client's accounts using the client's unique log-in information on a web site. When accessing the account through the client's log-in access, our authorizations are broader than customary and we are deemed to have custody beyond the ability to deduct fees from the account.

For accounts in which Deerfield Financial Advisors is deemed to have custody, the Firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. **Clients should carefully review those statements and are urged to compare the statements against reports received from Deerfield Financial Advisors.** When clients have questions about their account statements, they should contact Deerfield Financial Advisors or the qualified custodian preparing the statement.

Specific to accounts for which we have custody beyond the ability to deduct advisory fees, the Firm has engaged an independent public accounting Firm, not affiliated in any way with Deerfield Financial Advisors, to perform an annual surprise verification examination. The purpose of such an examination is to verify that the funds and securities held in accounts actually exist and are located at the applicable qualified custodian.

Item 16 – Investment Discretion

Through our Investment Management Services program and upon receiving written authorization from a client, Deerfield Financial Advisors will maintain trading authorization over client accounts. Upon receiving written authorization from the client (as provided in our Firm's client agreement), Deerfield Financial Advisors will generally **always** implement trades on a **discretionary** basis. When discretionary authority is granted, Deerfield Financial Advisors will have the authority to determine the type of securities, the amount of securities that can be bought or sold, the broker or dealer to be used, and the commission rates paid for the client's portfolio without obtaining the client's consent for each transaction.

Although not common with our clients, if we agree to implement trades on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account.

Once the above factors are agreed upon, Deerfield Financial Advisors will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

Item 17 – Voting Client Securities

Deerfield Financial Advisors will not vote proxies on behalf of your account. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in accounts managed by our Firm.

Clients will receive proxies directly from their custodian or transfer agent and such documents will not be delivered by Deerfield Financial Advisors. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact Deerfield Financial Advisors.

Item 18 – Financial Information

This item is not applicable to this brochure. Deerfield Financial Advisors does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, Deerfield Financial Advisors is not required to include a balance sheet for our most recent fiscal year. Deerfield Financial Advisors is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, Deerfield Financial Advisors has not been the subject of a bankruptcy petition at any time.