

# **FFR Advisory, LLC**

**Fee-Only Financial Planning**

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## **Firm Brochure**

(Part 2A of Form ADV)

This brochure provides information about the qualification and business practice of FFR Advisory, LLC. Should there be any questions about the contents of this brochure, please contact us at: (562) 493-6426 or by email at: [mlu@ffradvisory.com](mailto:mlu@ffradvisory.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

March 31, 2011

## **Material Changes**

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative "plain English" format. The new final rule specified mandatory sections and organization. As such we have revised our ADV Part 2 form to reflect this new rule.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (562) 493-6426 or by email at: [mlu@ffradvisory.com](mailto:mlu@ffradvisory.com).

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## **Advisory Business**

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### **Firm Description**

FFR Advisory is unique in that it is comprised of former CPA's, attorneys, investment bankers, management consultants, etc. who no longer practice in these disciplines but whose diverse backgrounds and skills significantly enhance the capabilities and perspective of our clients existing legal and accounting advisors. As directed by our clients, our firm maintains relationships with many of the country's most prestigious firms allowing our consultants to constantly be involved in the design of sophisticated techniques to solve problems associated with managing multigenerational wealth. This process continues to validate for us that the best advice available to our clients is gathered from talented independent advisors who are unwilling to work in a captive environment for one institution. Currently Ron is the sole Founding Principal. He is a Certified Financial Planner and a Registered Investment Advisor (RIA). The firm is federally registered with the SEC (Securities and Exchange Commission).

FFR Advisory, LLC ("FFR" or "Advisor") provides Financial Planning and Investment Management Services to individuals, trusts, estates and businesses. Through the use of discussions, interviews and the gathering of financial background information, FFR assists each client in determining investment goals and identifying risk tolerance levels. This process usually includes, but may not be limited to: analyzing existing assets, including allocation among asset classes; suggesting changes in the allocation of assets; and selecting specific investments designed to assist the client in meeting his or her stated goals and objectives. The client's Investment Adviser Representatives ("IAR") will act as the portfolio manager for the client's account.

The Firm's compensation is solely from fees paid directly by clients. The firm does not receive commission based on the client's purchase of any financial products, including insurance. No commissions in any form are accepted. No benefits are received from custodians/broker-dealers based on clients securities transactions ("soft dollars benefits").

Assets under direct management of FFR Advisory, LLC. Are held by independent custodians, including Charles Schwab, Mutual Funds, or others, in the client's name. FFR Advisory, LLC does not act as a custodian of client assets, although we may at times be considered by the SEC to technically have "custody" over certain types of accounts held at independent custodians. This occurs primarily when a staff member of FFR Advisory, LLC is a trustee of an unrelated trust and FFR is the investment adviser on the trust's investment accounts.

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### **Principal Owner**

FFR Advisory, LLC is owned by a Trust under the leadership of Ronald O. Kindschi.

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### **Types of Advisory Services**

The primary type of advisory services offered by FFR Advisory, LLC is financial planning. FFR also provide investment supervisory services (i.e. asset management") and furnishes investment advice, but only as part of an on-going financial planning relationship.

In performing its services, FFR is not required to verified any information received form client or from other professionals. Each client is advised that it remains his/her responsibility to promptly

notify FFR when there is any change in his/her financial situation and/or financial objectives for the purpose of reviewing, evaluating, or revising previous recommendations and/or services.

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### **Tailored Relationship**

FFR Advisory, LLC services are tailored to the individual needs of clients. Goals and objectives are discussed and clarified in meetings and correspondence. The course and actions for each client are derived from these meetings. All goals and objectives for each client are documented in our client relationship management system and in client files.

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### **Managed Assets**

As of December 31, 2010, FFR Advisory, LLC managed approximately \$60 million plus in total assets for about 247 accounts.

## Fees and Compensation

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### Description

FFR Advisory, LLC bases its fees on a percentage of Assets Under Advisement. These fees are payable quarterly, usually in advance, but may be assessed in arrears as agreed to in the advisory agreement. All fees are in addition to any fees paid to third-party managers or for brokerage or custody arrangements. Fees may be automatically debited from client's account pursuant to written agreement.

The following fee schedule is applicable for all three services.

AMOUNT INVESTED		ANNUAL FEE
First \$3,000,000	=	1.00%
Next \$3,000,000	=	0.85%
Next \$4,000,000	=	0.75%
Next \$10,000,000	=	0.65%
Excess over \$20,000,000	=	0.55%

### CALCULATION SCHEDULE

If Assets Are Over	But Not Over	Annual Fee is:	Of Assets Over
\$0	\$3,000,000	\$0 + 1%	\$0
\$3,000,000	\$6,000,000	\$30,000 + .85%	\$3,000,000
\$6,000,000	\$10,000,000	\$55,500 + .75%	\$6,000,000
\$10,000,000	\$20,000,000	\$85,500 + .65%	\$10,000,000
\$20,000,000		\$150,500 + .55%	\$20,000,000

Fees are negotiable at the discretion of management. Investment advisory clients may find lower fees for comparable services available from other sources. FFR is not compensated on the basis of a share of capital gains or capital appreciation in a client's account or any portion thereof. For Pension Consulting Services, plan assets held at a specific sponsor may be subject to a lower fee schedule as mandated by the sponsor. The client should review the appropriate fees schedules provided for in the plan sponsor account agreement.

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### Past Due accounts and Termination Agreement

FFR Advisory, LLC reserve the right to stop work on any account that is more than 60 days overdue. However, more than likely, FFR will mostly likely work with the client and is extra flexible in working with the client to edge out a payment plan.

A client may cancel or terminate an agreement for services with FFR upon thirty (30) days written notice. FFR will bill client for the services performed to the date of cancellation. FFR will refund any unearned fees on a pro rata basis. In addition, the client may terminate the contract within 5 business days of its execution without penalty.

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### Compensation from Sales of Investment Products

The firm does not receive commission based on the client's purchase of any financial product, including insurance. No commissions in any form is accepted. Compensation is solely from fees paid directly from clients.

## **Performance – Based Fees**

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### **Sharing of Capital Gains**

FFR Advisory, LLC does not use a performance-based fee structure because of potential conflict of interest. Performance-based compensation may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk to the client. However, the nature of asset-based fees allows FFR to participate in the growth of the client's wealth. This also means that our fees can decline when the client's portfolio declines in value.

## **Types of Clients**

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### **Description**

FFR Advisory, LLC generally provides investment advice to individual, families, trusts, and estates. Advice may extend to entities related to the client such as small businesses and charitable organizations, including foundations and endowments. Client relationships vary in scope and length and services.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

Security analysis methods of FFR Advisory, LLC include fundamental analysis. The main sources of information include Morningstar reports, Callan Associates, fund prospectuses, S&P reports, Elliott Wave International, The Wall Street Journal, financial newspapers and magazines, research materials prepared by others, filings with the Securities and Exchange Commission, and annual reports.

### **Investment Strategies**

The primary investment strategies we use for client accounts are Performance Studies, Strategic Asset Allocation and Financial Planning. FFR has a non-discretionary relationship with our clients. We may also recommend unrelated, third party investment managers who have a greater expertise in certain disciplines when appropriate for clients.

FFR does have an affiliation with SAI Capital Management, LLC, a Registered Investment Advisor. SAI is a money manager that practices actively managing assets or "market-timing". The firm often used leverage, inverse, and leverage inverse ETFs. Other money managers used by FFR may include Scharf Investment and Polen Capital Management.

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach keeps the risk of loss in mind. However, as with all investment, clients face investment



risks including the following: Loss of Principal Risk, Interest-rate Risk, Market Risk, Inflation Risk, Currency Risk, Reinvestment Risk, Business Risk, Liquidity Risk, and Financial Risk.

## **Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in any legal or disciplinary events related to past or present activities.

## **Other Financial Industry Activities and Affiliations**

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### **Activities**

FFR Advisory, LLC does not participate in any other industry business activities.

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### **Affiliations**

FFR Advisory, LLC does not have arrangement that are material to its advisory business or its clients with any related person. We may at times recommend unrelated, third party investment managers who have a greater expertise in certain disciplines when appropriate for the client; we do not receive any compensation for the recommended or selection of these investment advisors.

## **Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

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### **Code of Ethics**

FFR has adopted a Code of Ethics (the "Code") to address securities-related conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes FFR's policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility;
- The principle that investment adviser personnel should not take inappropriate advantage of their positions;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

FFR will provide a copy of the Code to any client or prospective client upon request to their IAR.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

FFR Advisory, LLC does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients base on their needs for such services. FFR recommends custodians based on the proven integrity and financial responsibility of the firm, best execution of orders at reasonable commissions rates, and quality of clients service.

FFR currently uses Schwab Institutional as its trading platform and custody most of clients assets. Schwab also makes available to FFR other products and services that benefit FFR but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Advisor's accounts, including accounts not maintained at Schwab. Schwab's products and services that assist FFR 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 [Advisor Firm's] fees from its clients' accounts; and (v) assist with back-office functions, record-keeping and client reporting.

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### **Soft Dollars**

FFR Advisory, LLC does not receive soft dollars benefits from the custodians to whom we recommend clients.

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### **Direct Brokerage**

We do not direct brokerage for specific client transactions. Trading in mutual funds do not garner any client benefit. However, when more than one account is trading a particular stock or ETF on a the same day, block trading may be used to get identical pricing on the trades.

## **Review of Accounts**

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### **Periodic Review**

The frequency of reviews is performed four times a year for each client. Quarterly and annual review is the common practice at FFR Advisory, LLC. However, FFR do provide reviews and assessment as needed and upon client's request. We understand that financial situation can occur unexpectedly and often time a re-evaluation of a clients objective may need to be review as market trends is realized.

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### **Regular Reports**

Written reports are sent to clients quarterly. Reports usually consist of individual letters summarizing the results of the review and the general thoughts on the market and the economy. Portfolio include performance numbers in comparison to market indices. Portfolio reports also

provide graphic views of various comparisons and performances for current and since inception with the firm.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

FFR Advisory, LLC has been fortunate to receive many client referrals over the years. The referrals have come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other sources.

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### **Referral Fees**

FFR has entered into a written compensation agreement with SAI referred to as a Solicitation Agreement. SAI pays FFR a percentage of the fee paid by referred clients. These payments are a portion of the fee charged by SAI and do not result in an increase in the amount of the fee paid by clients. Any solicitation or referral arrangements will comply with applicable laws that govern 1) the nature of the service, 2) fees to be paid, 3) disclosures to clients and 4) any necessary client consents. IARs may have an incentive to recommend SAI as a third party money manager over other managers due to the referral fee, thus creating a conflict of interest. Advisor does not have discretionary authority to choose third party money managers and the amount of the solicitation fee is disclosed to the client when the referral is made so that the client can make an informed decision.

## **Custody**

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### **Account Statement**

All assets are held at qualified custodians, who provide account statements directly to clients at the address of record monthly or at least quarterly.

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### **Statements Provided by FFR Advisory, LLC**

Clients are at times provided account statements, listing a snapshot of net worth and balances in various accounts and policies. Net worth statements contain approximation of bank account balances, insurance policies, and others. Clients are urged to compare the statements they receive from us to those they receive from us their qualified custodians.

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### **SEC “Custody”**

According to a recent ruling by the SEC, investment advisers are deemed to have “custody” of client funds if certain conditions are met. From time to time, FFR may be technically consider to have “custody” of certain types of accounts, such as when a staff member acts as a trustee of an

unrelated trust and FFR acts as the investment adviser to that trust. In this case, the SEC requires an annual surprise audit of those “custody” accounts by an independent CPA firm. FFR Advisory, LLC complies with this requirement.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

All securities transactions will be decided upon and executed by the third party investment manager. Typically, the third party investment manager will exercise discretion in the management of client accounts. FFR and its IARs will not manage, or obtain discretionary authority over the assets in accounts participating in this program. Clients will be expected to notify their IAR of any changes in their financial situation, investment objectives or account restrictions.

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### **Limited Power of Attorney**

Clients must sign a limited power of attorney before FFR Advisory, LLC is given discretionary authority. The limited power of attorney is included in the qualified custodian’s account application for our main custodians. For accounts not held with our main custodians, clients may sign a separate limited power of attorney document giving discretionary authority to FFR Advisory, LLC.

## **Financial Information**

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### **Financial Condition**

FFR Advisory, LLC does not have any financial impairment that will preclude the firm for meeting contractual commitments to clients. A balance sheet is not required to be provided because FFR does not serve as a custodian for client funds or securities, other than as described above, and does not require prepayment of fees of more than \$1,200 per client, six months or more in advance.

### **Business Continuity Plan**

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#### **General**

FFR Advisory, LLC has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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#### **Disasters**

Electronic files are backed up daily on our main server and archives are kept in our offsite storage location.

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### **Alternate Offices**

Currently, there the main office located in Seal Beach, California is the only branch office of the firm. It is our intention to contact all clients as soon as possible should a disaster occur that dictate moving our office to an alternate location.

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### **Loss of Key Personnel**

FFR Advisory, LLC has signed a Business Continuation Agreement with SAI Capital Management, a fee-only Registered Investment Advisor located in Seal Beach, CA. the event that Ron Kindschi is seriously disable.

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### **Information Security Program**

#### **Information Security**

FFR Advisory, LLC maintains an information security program to reduce risk that personal and confidential information may be breached.

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### **Privacy Notice**

FFR Advisory, LLC is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us. Nonpublic information that is collected from our clients may include personal finances, information on health of the client that may bring in question the need for financial planning, transaction between clients and third parties, and information on consumer reporting agencies, e.g., credit reports. All information gathered is used to help our client meet personal financial goals.

We do not provide personal information to mailing list vendors or solicitors. Strict confidentiality in our agreements with unaffiliated third parties, is required. Federal and state securities regulators may review our firm's records and personal records as permitted by law.

We are required by law to deliver this Privacy Notice to our clients annually, in writing.

**Brochure Supplement (Part 2B of Form ADV)**

**President**

**Ronald O. Kindschi**  
**( MSFS, CFP, CLU, ChFC, CIMC )**

**FFR Advisory, LLC**  
**3010 Old Ranch Parkway, Suite 340**  
**Seal Beach, Ca. 90740**  
**(562) 493-6426**

**As of March , 2011**

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### **Education and Business Standards**

All individuals providing investment advice to clients are required to have a four-year college degree or at least two types of advanced professional designations (JD, CPA, CFA, ChFC, CFP, MSFS, CIMC, CIMA) or comparable experience within the industry.

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### **Education and Business Background**

#### **Ronald Orson Kindschi; Member**

YOB: 1946

California State University Long Beach – B.S. Finance - 1969

American College, Bryn Mawr – M.S. Financial Services - 1977

SAI Capital Management, LLC – President; 11/97 to Present

FFR Advisory, LLC – Member - 11/97 to Present

Spectrum Administration, Inc. – Director - 5/94 to Present

First Financial Resources – Principal - 1/90 to Present

Strategic Insurance Services, Inc. – 11/97 to Present

FSC Securities Corporation – Registered Representative - 11/90 to 07/08

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### **Financial Industry Affiliation**

Ronald Kindschi, a member of Advisor, is the President and indirect owner of SAI Capital Management, LLC ("SAI"), an investment advisory firm. FFR and SAI have entered into a solicitor's agreement, which allows for SAI to share its fees with FFR. In his capacity as a member of FFR, Mr. Kindschi consults with clients and frequently recommends that the client enter into an agreement with SAI to manage some or all of the client's investable assets. This may represent a conflict of interest as persons associated with FFR may receive additional fees for clients referred to SAI. Clients are under no obligation to use SAI as their third party money manager.

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