

## Item 1 – Cover Page



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Form ADV, Part 2; our “Disclosure Brochure” or “Brochure” as required by the United States Securities and Exchange Commission (SEC) is a very important document between Clients (“you”, “your”) and Personal Financial Profiles Inc. (“PFP”, “us”, “we”, “our”). PFP’s IARD firm number is 109327.

This Brochure provides information about our qualifications and business practices. If you have any questions about the contents of this brochure, please contact us at (954) 755-8647. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

We are a state registered investment adviser. Our registration as an Investment Adviser does not imply any level of skill or training. Additional information about Personal Financial Profiles Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you with both Parts 1 and 2 of our Form ADV.

## Item 2 – Material Changes

The only material change made since our initial filing filed on August 17, 2011 is PFP will no longer be SEC registered and will now become a state registered investment adviser.

1. The revised Brochure will be available, since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD), to view or to download at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or you may contact our President and Chief Compliance Officer, Frank T. Pugliese, CIMA<sup>®</sup>, CFS<sup>®</sup>, RFC<sup>®</sup> at (954) 755-8647 or by emailing at [fpugliese@pfprofiles.com](mailto:fpugliese@pfprofiles.com).
2. When an update is made to this Brochure we will send a copy to you including the summary of material changes, or a summary of material changes that includes an offer to send to you a copy (either by electronic means (email) or in hard copy form).

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## **Item 4 – Advisory Business**

Personal Financial Profiles Inc. (PFP, us, we, our), a corporation organized under the laws of the State of Florida on May 13, 1991, and wholly owned by Frank T. Pugliese, CIMA<sup>®</sup>, CFS<sup>®</sup>, RFC<sup>®</sup> began as a State of Florida registered investment adviser on October 30, 1992 and became a registered investment adviser with the SEC on June 23, 1999. In addition, we are notice filed (i.e. able to do business) as an investment adviser with the States of Florida and New Jersey. We have filed our application to transition our registration from a federally registered investment adviser to a state registered investment adviser with the State of Florida, in order to provide the investment advisory products and services described within this document. Please note that certain states do not require us to notice file if we have five or fewer clients that reside in a particular state. As of December 31, 2011, we have 262 accounts with \$ 79,462,410 of assets under management.

We offer investment advisory services to individuals, pension and profit sharing plans, and corporations. This Disclosure Brochure provides you with information regarding our qualifications, business practices, and the nature of advisory services that should be considered before becoming our advisory client.

Please contact Mr. Pugliese, if you have any questions about this Brochure.

Individuals associated with us will provide our investment advisory services. These individuals are appropriately licensed and qualified to provide advisory services on our behalf. Such individuals are known as Investment Advisor Representatives (IARs).

Below is a description of the investment advisory and financial planning services we offer. For more detail on any product or service please reference the advisory agreement, wrap brochure (if applicable) or speak with your PFP IAR.

### **Investment Advisory Services**

Our IARs provide investment supervisory services to clients through an analysis of personal financial planning objectives. The supervisory services emphasize providing adequate cash flow, the minimizing of taxes, planning for retirement and other long-term objectives adopted and coordinated with the client.

We offer investment advisory services primarily through our Elite Account Program and Premier Account Program which are private managed accounts, affected through Schwab Institutional Services (Schwab), a registered broker-dealer. Custody of funds and securities are maintained by Schwab, not by us.

These programs strive to offer individualized continuous and regular investment advisory services to you in connection with establishing and monitoring your investment objectives, risk

tolerance, asset allocation goals and time horizon. You have the opportunity to place reasonable restrictions or constraints on the way your account is managed; however, such restrictions may affect the composition and performance of your portfolio. For these reasons, performance of the portfolio may not be identical with our average client.

We use a leading technology provider for portfolio management. We have substantially invested our time and resources in the tools that best serve our clients, protect their assets and keep our business running seamlessly regardless of circumstances. The systems have enhanced rebalancing applications with excellent reporting capabilities. All our technology data is secured and backed up with multiple redundancies, exceeding typical industry standards.

### **Furnishes Advice to Clients on Matters Not Involving Securities**

Alternately, PFP offers financial planning services on an hourly or fixed fee basis. We offer financial plans encompassing, but not limited to, the following:

- Personal Financial Planning;
- Insurance and Estate Planning;
- Capital Need Analysis;
- Tax & Cash Flow;
- Retirement Planning;
- Investment Analysis and Planning;
- Education Planning;
- Business Planning; and
- Performance Reports

Financial planning information will be obtained through personal interviews concerning your current financial status, future goals and attitudes towards risk. Related documents that you supplied are carefully reviewed, along with data gathered from you, and a written report is issued.

## **Item 5 – Fees and Compensation**

### **General Account Characteristics**

Described below are general characteristics regarding “other” fees incurred, discretionary authority, payment of fees, and termination of contracts that will affect your account(s). For a more complete discussion and disclosure regarding any Account’s services or fee structure, we will provide a detailed advisory agreement and/or the third party investment manager’s Disclosure Brochure and the Form ADV Part 2A, Appendix 1 (wrap fee brochure), as applicable.

## **Payment of Fees**

### **Supervisory Services**

Investment supervisory fees are payable quarterly in advance.

The fees for managed portfolios under the Elite Account Program are as follows:

	<b>Per Quarter</b>	<b>Annualized</b>
<b><u>Accounts Under \$500,000</u></b>	.3125%	1.25%
<b><u>Accounts \$500,001 to \$1,000,000</u></b>	.25%	1.00%
<b><u>Accounts Over \$1,000,000</u></b>		

The fees for the equity and mutual fund component are as follows:

First \$ 1,000,000	.25%	1.00%
Then \$ 1,000,001 to \$ 3,000,000	.20%	.80%
Then \$ 3,000,001 to \$ 5,000,000	.15%	.60%
Over \$ 5,000,000	.125%	.50%

The fees for the individually managed bond and cash component are as follows:

First \$ 1,000,000	.1625%	.65%
Then \$ 1,000,001 to \$ 3,000,000	.1375%	.55%
Then \$ 3,000,001 to \$ 5,000,000	.1125%	.45%
Over \$ 5,000,000	.0875%	.35%

The fees for managed portfolios under the Premier Account Program are as follows:

<b>Per Quarter</b>	<b>Annualized</b>
.3125%	1.25%

Alternatively, PFP can charge an hourly rate. In addition, fixed fees are based on the scope of the clients' objectives and the complexity of the plan. Additionally, the time required analyzing the objectives, assets, and goals will be an important part of ascertaining a fixed fee. With regard to an hourly arrangement, PFP will work on hourly charges of \$250.00 per hour. The fee for initial services will be due upon completion of the initial services. On-going services will be billed in advance, but in no event more than six months in advance. On-going fees for services rendered

after the initial plan are charged on a periodic basis based on the time frame of the on-going agreement. Fees are negotiable. Any and all unearned/unapplied fees shall be refunded at once by PFP to the Advisory client.

Either party may terminate the agreement at any time upon written notice to the other. Fees are fully refundable on a penalty free basis within five days of entering into the agreement. If a client terminates after five days, fees are refundable for services not rendered. The client would receive a refund for that portion of the advance fee attributable to services not performed prior to termination. PFP will retain no fees for services not rendered.

### **Financial Planning Services**

Fees may be charged on an hourly basis of \$250.00 per hour. Fees are negotiable. The fees for initial services will be due upon completion of the services. On-going services will be billed in advance, but in no event more than six months in advance. Fees are negotiable. All unearned/unapplied fees shall be refunded by PFP to the advisory client. Either party may terminate the agreement at any time upon written notice to the other. Fees are refundable on a penalty free basis within five days of entering into the agreement. If a client terminates an agreement after five days, fees are refundable for services not rendered. The client would receive a refund for that portion of the advance fee attributable to services not performed prior to termination. PFP will retain no fees for services not rendered.

### **Other Fees**

Generally, fees for supervisory investment advisory accounts are based on a percentage of the market value of assets under management including cash. However, the advisory fee does not cover charges imposed by third parties for investments held in the Account, such as contingent deferred sales charges or 12b-1 trails on mutual funds. In addition, each mutual fund or third party money manager charges asset management fees, which are in addition to the advisory fees charged by us. The fees charged by such funds or managers are disclosed in each fund's prospectus or Manager's Disclosure Brochure. The advisory fee also does not cover debit balances or related margin interest or SEC fees or other fees or taxes required by law. In addition, certain Accounts may require a minimum advisory fee or quarterly maintenance fee that will be detailed in the applicable advisory agreement.

If the client so chooses, they may implement investment advisory recommendations by utilizing the IAR's status as registered representatives of Foresters Equity Services, Inc. ("Foresters"). As registered representatives, our associated persons can sell securities to any client for commissions. This could present a potential conflict of interest as the associated persons could receive fees and commissions if the client chooses to implement recommendations of the associated persons in their capacity as registered representatives.

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

We do not charge advisory fees on a share of the capital gains or capital appreciation of the funds or securities in a client account (so-called performance based fees). Our compensation structure is disclosed in detail in Item 5 above.

## **Item 7 – Types of Clients**

We provide investment advisory services to individuals, pension and profit sharing plans, and corporations. PFP requires a minimum of \$250,000 to open the Elite account and \$25,000 for the Premier account. In certain circumstances this minimum may be negotiable based on a prior relationship.

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

The services described in Item 4 above, may include long-term and short-term buy and hold, short sales, margin transactions, and option strategies. Our IARs may actively trade option contracts or on margin for client's accounts, which could result in a high portfolio turnover ratio. Additionally, the use of margin may also result in interest charges as well as all other fees and expenses associated with the security or account involved.

In determining the investment advice to give to you, we will utilize behavioral analysis to help predict how market attitudes may shift from optimistic to pessimistic (or visa-versa) and that potential impact on the market as a whole or individual securities. In addition, we may utilize charting to determine trends and project future values. In a fundamental analysis, we analyze the financial statements and health of a business, its management and competitive advantages, and its competitors and markets but usually focusing on growth or value (or sometimes a combination of both) to determine if such security meets the clients' needs and objectives. We will take into consideration when making investment decisions the stages of the business during a given point in time. We may also perform a security analysis discipline, known as a technical analysis, in forecasting the direction of prices through the study of past market data, primarily price and volume.

## **Risks, Disclosures and Other Important Information**

There are inherent risks involved for each investment strategy or method of analysis we use and the particular type of security we recommend. Investing in securities involves risk of loss, which you should be prepared to bear. From time to time there may be large cash balances in the client accounts, which earn interest at the prevailing money market rates (taxable or tax-free). If we believe it is in the best interest of the clients, PFP could go to 100% cash in their portfolio, which has risk of return associated with being out of the market.

## **Item 9 – Disciplinary Information**

We do not have any legal, financial or other “disciplinary” item to report. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us.

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

Neither PFP nor any of our management persons are registered, or have an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities. In addition, neither PFP nor any of our management persons have any relationship or arrangement with a related person that is material to its advisory business or to our clients that is a:

- Broker-dealer, municipal securities dealer, or government securities dealer or broker,
- Investment company or other pooled investment vehicle,
- Other investment adviser or financial planner,
- Futures commission merchant (or commodity pool operator or commodity trading advisor),
- Banking or thrift institution,
- Accountant or accounting firm,
- Lawyer or law firm,
- Insurance company or agency,
- Pension consultant,
- Real estate broker or dealer or
- Sponsor or syndicator of limited partnerships.

However, Frank T. Pugliese, CIMA<sup>®</sup>, CFS<sup>®</sup>, RFC<sup>®</sup> and some of our IARs are registered representatives of Foresters Equity Services, Inc. (“Foresters”), a FINRA registered broker-dealer and various regulatory agencies. We may also recommend other advisers to manage your assets. Any compensation arrangements or other business relationships between the advisory firms are described in detail in items 4 and 5 above.

Activities listed and commissions earned are independent from and in addition to those of PFP.



Certain of our associated persons are also licensed to sell life and annuity insurance products through various companies. See below for additional details.

The above affiliation may be considered material; however, we are not affiliated with Foresters.

We do not recommend or select other investment advisers for our clients nor have other business relationships with those advisers for which we receive compensation directly or indirectly from those advisers.

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

PFP has in place Ethics Rules (the “Rules”), which are comprised of the Code of Ethics and Insider Trading policies and procedures. The Rules are designed to ensure that PFP’s personnel (i) observe applicable legal (including compliance with applicable state and federal securities laws) and ethical standards in the performance of their duties; (ii) at all times place the interests of PFP’s clients first; (iii) disclose all actual or potential conflicts; (iv) adhere to the highest standards of loyalty, candor and care in all matters relating to its clients; (v) conduct all personal trading consistent with the Rules and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility; and (vi) not use any material non-public information in securities trading. The Rules also establish policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding portfolio holdings information.

Under the general prohibitions of the Rules, PFP’s personnel may not: 1) effect securities transactions while in the possession of material, non-public information; 2) disclose such information to others; 3) participate in fraudulent conduct involving securities held or to be acquired by any client; and 4) engage in frequent trading activities that create or may create a conflict of interest, limit their ability to perform their job duties, or violate any provision of the Rules.

PFP’s personnel are required to conduct their personal investment activities in a manner that PFP believes is not detrimental to its advisory clients. PFP’s personnel are not permitted to transact in securities except under circumstances specified in the Code of Ethics. However, as described below, there may be circumstances where PFP’s personnel may buy and sell on behalf of its clients, securities of issuers or other investments in which they own securities or otherwise have an interest. The policy requires all Access Persons (defined as investment personnel, which includes portfolio managers, assistant portfolio managers, research analysts and trading room personnel, officers of PFP, and other designated persons) to report all personal transactions in securities not otherwise exempt under the policy. All reportable transactions are reviewed for

compliance with the Code of Ethics. The Ethics Rules are available to clients and prospective clients from PFP upon request.

Our IARs may buy or sell for their own accounts, securities that are also held by their clients. Conversely, they may buy and sell securities for client accounts which they themselves may own. Such transactions are permitted if in compliance with our Policy on Personal Securities Transactions. Reports of personal transactions in securities by our IARs are reviewed by PFP's Compliance Department quarterly or more frequently if required.

## **Item 12 – Brokerage Practices**

### **Soft Dollars & Best Execution**

PFP receives no products, research, or services (i.e., soft dollars) that it would consider a factor in utilizing a particular broker-dealer. However, PFP does receive certain services and products, such as fundamental research reports, technical and portfolio analyses, pricing services, economic forecasting and general market information, historical data base information and computer software that assist PFP's investment management process, from its custodian. Nonetheless, when selecting a particular broker for execution of client's transactions, PFP will seek to obtain most favorable terms under the circumstances by considering such factors as: price, execution capability, reliability, responsiveness, financial responsibility, and the value of any products or services provided by such brokers. In addition, PFP has the ability, through a prime brokerage relationship with Schwab, to purchase bonds from other brokers at cost. PFP does not mark-up (or down) any bond transaction effected through a third-party broker. However, your securities are still settled and custodied at Schwab.

### **Directed Brokerage & Allocation**

PFP does not allow directed brokerage, which is defined when a client "directs" PFP in writing to utilize a certain broker-dealer(s) for execution of trades.

When advantageous to the client, PFP may aggregate (block trading) trades. PFP may simultaneously enter orders to purchase or sell the same securities for the account of two or more clients. It is PFP's practice that these orders be "batched" for ease of execution.

Since there may be several prices at which the securities transactions are executed and the orders were entered as one order for all accounts, it is PFP's practice to treat all subject accounts equally, averaging the execution prices of the related trades and applying the average price to each transaction and account. Allocations of "batched" trades also may be rounded up or rounded down to avoid odd lot or small holdings in any client account.

PFP suggests that clients utilize Schwab for the purchase and sale of securities. It is recommended, since its judgment is consistent with PFP's. Clients determine actual selection of brokers. PFP recommends Schwab based on what PFP feels are the advantages of its national affiliations, networking among planners to discuss industry needs and problems, high level of due diligence, and ability to keep PFP informed concerning changes affecting the client's holdings.

Some of PFP's IARs, in their capacity as registered representatives of Foresters, may also recommend Foresters' broker-dealer services to clients who have or are utilizing PFP's advisory services. PFP's clients are free to implement advisory recommendations through any firm and are under no obligation to purchase or sell securities through PFP. PFP does not warrant or represent that commissions for transactions implemented through PFP will be lower than commissions available if clients were to use another brokerage firm. PFP believes, however, that the overall level of services and support provided to clients by PFP outweighs the potentially lower transaction cost available under other brokerage arrangements.

PFP allocates trades fairly and does not favor certain performance-based or other client accounts with "hot issues". In addition, PFP prohibits allocating profitable trades at each day's end, disproportionately favoring certain clients. PFP determines the allocation prior to executing transactions. In the event that PFP only receives a partial fill, shares will be allocated to clients on a pro-rata basis. Pre-allocations and any changes will be documented and filed with the order memoranda.

PFP does not consider whether PFP or a related person receive client referrals from a broker-dealer or third party in selecting or recommending broker-dealers to our Clients.

### **Client Referrals**

However, PFP compensates various individuals for referring business to PFP. The Advisory Representatives are affiliated with PFP by reason of a solicitation agreement and the Advisory Representatives will receive a fee for introducing Clients to PFP as part of the PFP asset management program. Fees payable by the Client, should they decide to participate in the asset management program, will be the same as the fee paid by Clients for which PFP pays no fee to the solicitor or any other person or entity performing similar functions. PFP will pay to the solicitor such fee as may be provided in the Fee Schedule attached to each solicitation agreement. The fee schedule may be amended from time to time. Solicitors will be registered Advisory Representatives of PFP in applicable state(s), unless exemption applies, prior to providing compensation for its referral.

We do not execute transactions on a principal or agency cross basis.

### **Item 13 – Review of Accounts**

A review is performed at least quarterly for all existing clients of PFP. Such review would be contingent on the client maintaining a current advisory relationship with PFP. Mr. Pugliese reviews all existing accounts. The accounts may be reviewed more frequently, with the frequency of the account review based on the complexity of the account, the nature of the pending advisor plan recommendations, and changes in tax or market conditions. The review will include an analysis of investment performance as it relates to the predetermined goals and objective of the client.

Clients are furnished with reports, including an analysis of their investment returns at least quarterly. You are also provided with monthly or quarterly account statements from the custodian, depending on the activity in the account. Reports include details of your holdings, asset allocation, and other transaction information. Comparisons to market indices and account performance may be used to evaluate account performance in review with you. You are encouraged to review these reports and compare them against reports received from us. You should immediately inform us of any discrepancy noted between the custodian records and the reports you receive from us.

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

We do not receive an economic benefit from a non-client for providing investment advice or other advisory services to our clients.

Refer to item 12 above for details of our arrangements under which we provide compensation for client referrals including the compensation structure.

Some of our associated persons, in their capacity as registered representatives of Foresters, may receive commissions earned on securities transactions directed through same. Any such fee arrangements shall be fully disclosed to clients. In connection with the placement of client funds into investment companies, compensation may take the form of front-end sales charges, redemption fees and 12(b)-1 fees or a combination thereof. The prospectus for the investment company will give explicit detail as to the method and form of compensation.

### **Item 15 – Custody**

We do not have custody of client funds or securities; however, we may be granted authority, upon written consent from you, to deduct the advisory fees directly from your account. The custodian will send to you, at least quarterly, an account statement identifying the amount of funds and each security in the account at the end of period and setting forth all transactions in the account during that period including the amount of advisory fees paid directly to us.

We may provide to you reports regarding your portfolio. You are encouraged to review these reports and compare them against reports received from the custodian that services your advisory account. You should immediately inform us of any discrepancy noted between the custodian records and the reports you receive from us.

### **Item 16 – Investment Discretion**

Once an executed Investment Advisory Agreement has been approved by PFP granting discretionary authority, PFP will determine which securities to buy or sell on a client's behalf, determine the amount of securities to be bought or sold on a client's behalf, and determine what transaction fee rate shall be paid on client's behalf. These decisions are limited only by the objectives, limitations and restrictions set forth in writing by the client. You will have the right to place reasonable restrictions on such authority. Any restrictions must be submitted in writing to us.

### **Item 17 – Voting Client Securities (i.e., Proxy Voting)**

We do not vote, or will accept, authority to vote client securities. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. Clients should contact their custodian or a transfer agent with questions about a particular solicitation. You maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by you shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. We and/or you shall correspondingly instruct each custodian of the assets to forward copies of all proxies and shareholder communications relating to your investment assets.

## **Item 18 – Financial Information**

We have no financial condition that is reasonably likely to impair our ability to meet contractual commitments to you given that we do not have custody of client funds or securities, or require or solicit prepayment of fees more than \$500 per client and six months or more in advance. In addition, we are not currently, nor at any time in the past ten years been the subject of a bankruptcy petition.

## **Item 19 – Requirements for State-Registered Advisers**

Each of our principal executive officers and management persons, identified as our President and Chief Compliance Officer, Frank T. Pugliese, CIMA<sup>®</sup>, CFS<sup>®</sup>, RFC<sup>®</sup> (CRD #800323) will provide the formal education and business background including any business in which he is actively engaged (other than giving investment advice) and the approximate amount of time spent with PFP in a separate disclosure, the Form ADV Part 2B Supplement.

We do not, nor do any of our supervised persons receive performance-based fees compensation for advisory services.

We do not, nor any of our management persons, have material facts regarding any legal, financial or other “disciplinary” item to report.

We do not, or any of our management persons, have any relationship or arrangement with any issuer of securities that is not listed in Item 10 of this Brochure.