

## **ITEM 1 – COVER PAGE**

### **Strategic Portfolio Advisors**

**10161 Park Run Drive Suite 150**

**Las Vegas, NV 89145**

**Phone: 702-460-3358**

**Fax: 702-515-7401**

**[www.strategicportfolioadvisors.com](http://www.strategicportfolioadvisors.com)**

**JUNE 12, 2012**

**This brochure provides information about the qualifications and business practices of SPA. If you have any questions about the contents of this brochure, please contact us at 702-460-3358 and/or draatz1@cox.net. 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. As we represent ourselves as a Registered Investment Advisor, such registration implies no specific level of skill or training.**

**Additional information about Strategic Portfolio Advisors also is available on the SEC's website at [www.advisorinfo@sec.gov](http://www.advisorinfo@sec.gov).**

## ITEM 2 - Material Changes

The information contained herein relates only to specific questions to which the relevant regulatory agencies request answers. The document is not, and is not intended to be, a marketing brochure, nor is it designed to provide detailed information about all aspects of SPA's business. The most recent annual update was March 31, 2012. There were no material changes from the 2011 brochure. Part I of form ADV is available upon request.

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### **ITEM 4 - Advisory Business**

A. Strategic Portfolio Advisors' was established 2005 by Donald J. Raatz (CRD #1058325) who is managing member and chief compliance officer of the firm. Mr. Raatz owns one hundred (100%) percent of the equity of the firm. The firm is not publicly owned or traded. There are no indirect owners of the firm or intermediaries who have any ownership interest in the firm.

B, C. The principal business of SPA consists of furnishing "investment advisory services" to clients. This activity includes the provision of continuous advice concerning investment of monies consistent with the circumstances, preferences, and objectives of each client. The investment management process includes an assessment of each client's objectives, needs, restrictions, and portfolio holdings. We attempt to structure each client's investment program in the context of these considerations. We do, occasionally, provide advice on matters not involving securities. We also provide clients, upon request; detailed financial planning. Clients may impose restrictions on investing in certain securities or certain types of securities.

D. The firm does not participate in any wrap fee programs.

E. As of December 31, 2011 the firm managed assets on a non-discretionary basis of \$79,870,000 in 271 accounts. SPA does not manage accounts on a discretionary basis.

### **ITEM 5 - Fees and Compensation**

A. Advisory fees are charged in three ways as follows:

Financial Planning - Client agrees to pay Advisor a fee based upon Advisor's estimate of the total time required at a rate of \$250 per hour. A Minimum Fee and Maximum Fee are determined. One-half of the Minimum Fee will be due upon Client's signing the Engagement Agreement. The remaining fee will be billed to Client upon delivery of Client's plan. In no event, however, shall the total fee exceed the Maximum Fee, or shall the plan not be completed within six months.

Financial Consultation - For the rendering of investment advice for specific questions or situations as requested by the Client, the Advisor will bill the Client on an hourly basis at the rate of \$250 per hour.

Investment Advisory Services - Fee for investment advisory services shall be at the following rate:

Total Assets Managed	Fixed Income	Equities/Balanced
\$0 to \$999,999	1.50%	2.50%
Next \$1,000,000 to \$2,999,999	1.00%	1.75%
Next \$3,000,000 to \$10,000,000	0.75%	1.00%
Next \$10,000,000 to \$20,000,000	0.35%	0.45%
Thereafter	0.15%	0.25%

We believe the fees described above are reasonable in light of industry standards, the firm's experience and expertise, and the services delivered. Though SPA seeks to set itself apart as a low-cost provider of advisory services, it might be possible for clients to procure similar services elsewhere at lower expense. SPA's fees are negotiable.

B. SPA usually bills client accounts for a given quarter on the first business day following the end of that quarter by applying one fourth of the applicable annual fee to the closing market value on the just-concluded quarter's last trading day. An account billed on the first business day of January, for example, applies one-fourth of the appropriate rate to the account's market value on the last trading day of December. Fees for financial planning or financial consultation are usually billed upon completion of the task but can be billed quarterly. All fees may be debited directly from client's accounts, or upon request, billed separately.

C. Clients will pay custodian commissions for trade executions. Regarding the purchase of mutual funds, even though we attempt to use low cost no-load mutual funds and exchange traded funds whenever possible, clients will also be subject to mutual fund management fees. See Item 12, Brokerage Practices.

D. At the request of the client, we can also bill in advance. If this is done and the advisory relationship terminates prior to the end of the quarter, a pro rata share of the advisory fee paid will be returned based on the number of days of the quarter SPA has been engaged.

E. SPA accepts no compensation from any source other than those described above.

#### **ITEM 6 – Performance Based Fees and Side by Side Management**

SPA does not offer performance based fees, share in capital gains, nor simultaneously charge an asset management fee as well as an hourly fee, otherwise known as side by side management.

SPA does not generally impose account minimums. The one exception is imposed by TD Ameritrade Institutional which will only refer accounts to SPA if they exceed \$250,000.

#### **ITEM 7 - Types of Clients**

SPA offers investment advisory services to individuals, trusts, estates, charitable organizations, businesses, and pension plans and does not impose account minimums.

## ITEM 8 - Methods of Analysis, Investment Strategies, and Risk of Loss

A. Methods of Analysis - Analysis methods include the use of Thompson Reuters, Vickers Insider Trading Reports, Argus Company Reports, The Street Ratings Report, Jaywalk Consensus Reports, the Wall Street Journal, Barron's, Business Week and the World Wide Web. SPA uses a combination of technical and fundamental methods to assess risks and opportunities in the capital markets. Fundamental data help us identify companies, industries, and sectors with compelling financial characteristics. Technical data help us identify securities with attractive supply demand characteristics. Throughout our investment process, we review numerous sources of information: financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; corporate rating services; annual reports, prospectuses, and filings with the SEC; and company press releases.

B. Investment Strategies - SPA employs a "buy and hold" approach to asset management. The practice of this style of asset management is based on the belief that no one can successfully time the market. The focus for the investor should be how much the investor can risk losing and how long they are willing to keep money in the market. SPA adheres to the principles that markets are efficient and for investing purposes assets are fairly priced. We believe further that diversification reduces risk of uncertainty and asset allocation in numerous asset classes improves results in the portfolio.

Because no two investors are alike, SPA offers clients a range of strategies. Each strategy is designed to offer an optimized asset allocation based on varying levels of risk. While some clients establish their investment goals and guidelines on their own, many rely on advisors such as tax advisors, attorneys and financial planners. In setting their investment objectives, SPA recommends clients consider which of the following risk profiles is best suited to them:

*Conservative* – portfolios managed to achieve targeted reasonable return at a minimal risk of loss. It is more likely to be a distributing portfolio than an accumulating portfolio, but may be necessary for accumulators who face major job changes or other risks.

*Moderate* – portfolios managed to achieve growth at reasonable risk of loss. It could be the accumulating portfolio or one making modest distributions. It is best for people whose life circumstances make them somewhat cautious.

*Aggressive* – portfolios managed to achieve growth. It often has new money being added regularly or can be drawn from on a discretionary basis. It is designed to have an above average return but can face declines resulting in losses greater than its expected annual return.

SPA's recommendations are made without considering potential tax consequences to the client. The client is responsible for any tax liabilities resulting from transactions (including any arising from the addition of assets to or withdrawal of assets from the client's account). Clients are urged to seek the advice of qualified tax professionals and to use all available resources to educate themselves about investing in general, as well as the investments and portfolio composition recommended by SPA. The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

C. Risk of Loss - All investment programs have certain risks that are borne by the investor. This Item 8 also contains a discussion of the primary risks associated with these investment strategies, although it is not possible to identify all of the risks associated with investing and the particular risks applicable to your account will depend on the nature of the account, its investment strategy or strategies and the types of securities you hold.

While we seek to manage accounts so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. You should understand that you could lose some or all of your investment and should be prepared to bear the risk of such potential losses. You should be aware that certain strategies may be limited to certain types of securities (e.g., equities or fixed income) and may not be diversified. Note that diversification does not assure a profit or protect against loss in a declining market.

Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

*Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

*Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

*Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

*Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

*Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

*Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

*Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

*Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **ITEM 9 - Disciplinary Information**

Neither SPA nor any of its personnel have been involved in any disciplinary proceedings.

## **ITEM 10 - Other Financial Industry Activities and Affiliations**

Some SPA personnel are licensed to sell life insurance, health insurance, and annuities. Becky Buckley holds the Certified Financial Divorce Financial Analyst and engages in associated activities.

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

A. Code of Ethics – The employees of SPA have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

B. Participation or Interest in Client Transactions – SPA personnel will make securities transactions for their own accounts. Client acknowledges that this may cause a conflict of interest, since both Client and SPA may be selling (or buying) the same financial product at the same time. To address this potential conflict of interest, SPA agrees, to the extent within its control, *not* to favor itself to the Client's financial detriment. In order to ensure that SPA personnel never “trade ahead” of their clients, the firm requires all trading in specific positions for officer and employee accounts to come *after* the analogous trades are executed for client accounts. Given that the firm may establish (or close) client positions in particular securities over multiple trading days, SPA's prohibition on trading ahead refers not only to intraday sequence but across days as well, sometimes even weeks. SPA agrees to keep complete records of all such securities transactions, as required by SEC *and/or* state regulation. Employees comply with the provisions of the SPA *Compliance Manual* regarding securities transactions.

C. Personal Trading - SPA is in full compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. SPA monitors the personal securities transactions of all access persons. In addition, SPA has adopted a written Code of Ethics in compliance with SEC Rule 204A-1. This Code is based on the principle that the officers,



directors, and employees (or persons having similar status or function) of SPA have a fiduciary duty to place the interests of the clients ahead of their own interests. The Code applies to all access persons and focuses principally on monitoring and reporting of personal transactions in securities. Access persons must avoid activities, interests and relationships that might interfere with making decisions in the best interests of clients.

SPA holds to the following principles:

*We are fiduciaries.* Our duty is at all times to place the interests of our clients first. Access persons must scrupulously avoid putting their own personal interests ahead of the interests of the clients. An access person may not induce or cause a client to take action, or not to take action, for personal benefit, rather than for the benefit of the client. For example, an access person would violate this Code by causing a client to purchase a security he or she owned for the purpose of increasing the price of that security.

*All personal securities transactions* will 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 access person's position of trust and responsibility.

*Access persons may not*, for example, use their knowledge of portfolio transactions to profit by the market effect of such transactions.

*Independence in the investment decision-making process is paramount.* The Chief Compliance Officer of the firm carries out all compliance-related mandates as set forth by the Code of Ethics. A copy of the firm's Code of Ethics is available upon request by all clients and prospective clients.

## **ITEM 12 - Brokerage Practices**

SPA participates in the TD Ameritrade Institutional program for advisors. The firm has chosen this custodian on the basis of its reasonable, straightforward commission structure, integrity, and financial stability. We believe this choice best addresses our responsibility to obtain the best execution for our clients. Additionally, we may from time to time aggregate large orders. SPA benefits from certain services and information provided to the firm by TDA Institutional, but we do not have discretion as to the commissions our clients pay. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independently registered investment advisors services which include custody of securities, trade execution, and clearance and settlement of transactions. SPA receives some benefits from TD Ameritrade through its participation in the program. The Firm may recommend TD Ameritrade to clients for custody and brokerage services. The Firm receives economic benefits through its participation in the program. SPA enjoys access to certain research reports to which we might not otherwise have access. The Firm, through its participation in the program, may receive discounts on compliance, marketing, technology, and practice management products or services provided to SPA by third party vendors. The availability of these benefits is in no way a function of the number or type of trades the firm executes on behalf of its clients. SPA receives no cash benefits or equipment from TD Ameritrade Institutional.

## **ITEM 13 - Review of Accounts**

Individual accounts are reviewed frequently by the SPA advisor responsible for the account. Certain clients may impose restrictions on their holdings. All accounts are monitored to provide current and comprehensive information concerning account performance, asset allocation, and the progress of individual positions in the portfolio.

Account review is a routine firm function, but it can be triggered or intensified by unexpected performance, shifting market conditions, or changing client preferences or circumstances. In both routine and unusual circumstances, the central purpose of SPA's review process is to ensure that the firm's clients understand both *what* and *how* their accounts are doing. An additional purpose is to ensure the suitability of SPA's investment discipline for all clients.

Clients receive statements at least quarterly for each of their investment advisory accounts. Upon request, clients may receive reports more frequently, and may, in all cases, access comprehensive account information using our custodian's Internet resources. Clients may opt in or out of duplicate confirmations from the trade-executing

broker. In addition to these written or formal methods, SPA communicates with clients frequently—by e-mail, postal mail, telephone, and in person—concerning their accounts and personal and financial circumstances.

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

Advisor participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Advisor participates in TD Ameritrade’s institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor’s participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor’s related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor’s choice of TD Ameritrade for custody and brokerage services.

Advisor may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors

seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services. Advisor pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Advisor ("Solicitation Fee"). Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Advisor from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Advisor will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Advisor's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Advisor has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

SPA does not receive compensation for outgoing referrals, nor from any other source except as stated above.

#### **ITEM 15 - Custody**

At Under government regulations, we are deemed to have custody of your assets when, for example, you authorize us to instruct the qualified custodian (TD Ameritrade Institutional) to deduct our advisory fees directly from your account. The qualified custodian (TD Ameritrade Institutional) maintains actual custody of your assets. You will receive account statements directly from the qualified custodian (TD Ameritrade Institutional) at least quarterly. They will be sent to the email or postal mailing address you provided to the qualified custodian (TD Ameritrade Institutional). You should carefully review those statements promptly when you receive them.

#### **ITEM 16 - Investment Discretion**

SPA does not use investment discretion.

#### **ITEM 17 - Voting Client Securities**

It is SPA's policy not to vote proxies. Clients may elect to receive and vote proxy materials for any proxies solicited by issuers of securities they beneficially own and make all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type of events pertaining to the securities in the account.

#### **ITEM 18 - Financial Information**

SPA does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. A balance sheet is not required to be provided because SPA does not serve as a qualified custodian for client funds or securities, and does not require prepayment of any fee more than \$500 more than 6 months in advance.

#### **ITEM 19 – Requirements for State Registered Advisors**

Donald J. Raatz (born 1951) received a Bachelor of Science degree from Purdue University in 1973. He serves several years in the United States Air Force. Mr. Raatz served as registered representative for Merrill Lynch, Prudential Securities, Continental Capital Investment Services, Berthel Fisher, and Cambridge Investment Research. Mr. Raatz Formed SPA in 2005 and serves as its managing member.

James R. Raatz (born 1951) received a Bachelor of Science degree from Purdue University in 1973 and a Masters in Business Administration from Troy State University in 1978. Mr. Raatz served several years in the United States Air Force. Mr. Raatz served as registered representative with Merrill Lynch, and as Senior Vice President Investments for Prudential Securities, Wachovia, and Wells Fargo. Mr. Raatz serves as an Investment Advisor Representative.

Rebecca A. Buckley (born 1948) received a Bachelor of Science degree from the University of California at Northridge in 1974 and a Masters degree from the University of Nevada Reno in 1976. She served as a registered representative with Prudential Securities and as First Vice President Investments with UBS Securities. She holds the Certified Financial Planner and Certified Financial Divorce Financial Analyst designations and currently serves as an Investment Advisor Representative.