

## **Firm Brochure**

(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Waterstone Wealth Advisors LLC (the "Registrant"). If you have any questions about the contents of this brochure, please contact us at: 732-873-0433, or by e-mail at [john.moynihan@wwallc.net](mailto:john.moynihan@wwallc.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.

Additional information about Waterstone Wealth Advisors LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

March 24, 2012

## Material Changes

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### Annual Update

There have been no material changes to the Registrant's brochure since its last Annual Amendment filing on March 31, 2011.

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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 specifies mandatory sections and organization.

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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: 732-873-0433 or by e-mail at: [john.moynihan@wwallc.net](mailto:john.moynihan@wwallc.net).

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# Advisory Business

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## Firm Description

Waterstone Wealth Advisors LLC, (the “Registrant”) was founded in 2006.

Waterstone Wealth Advisors LLC provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

Waterstone Wealth Advisors LLC is strictly a fee-only financial planning and investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder’s fees are accepted.

Investment advice is an integral part of financial planning. In addition to investment advice and management, Waterstone Wealth Advisors LLC advises clients regarding cash flow, college planning, retirement planning, income tax planning and estate planning. Waterstone Wealth Advisors LLC does not act as a custodian of client assets. The client always maintains asset control. Waterstone Wealth Advisors LLC places trades for clients under a limited power of attorney.

A written evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement or a snapshot of their current investment portfolio. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken as well as to review who is responsible for which actions. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and/or investment management may be beneficial to the client.

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## Principal Owners

JOHN C. MOYNIHAN, Certified Financial Planner® and Managing Member is the sole shareholder in Waterstone Wealth Advisors LLC.

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## **Types of Advisory Services**

Waterstone Wealth Advisors, LLC (the “Registrant”) is an investment adviser providing financial planning, consulting, and investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. The Registrant, depending upon the engagement, offers its services on a fee basis which may include hourly and/or fixed fees as well as fees based upon assets under management. Prior to engaging the Registrant to provide any of the foregoing financial planning and/or investment management services, the client will be required to enter into one or more written agreements with the Registrant setting forth the terms and conditions under which the Registrant shall render its services (collectively the “Agreement”).

As of December 31, 2011, Waterstone Wealth Advisors LLC manages approximately \$69,708,000 in assets for 145 clients. Approximately \$59,808,000 is managed on a discretionary basis, and \$9,900,000 is managed on a non-discretionary basis.

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## **Tailored Relationships**

The goals and objectives for each client are documented in our client relationship management system. Investment portfolios are created that reflect the stated goals, objectives and risk tolerance of each client. Clients may impose restrictions on investing in certain securities or types of securities provided they inform the Registrant prior to entering into the Agreement.

Neither the Registrant nor the client may assign the Agreement without the consent of the other party.

Transactions that do not result in a change of actual control or management of the Registrant shall not be considered an assignment.

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## **Types of Agreements**

The following agreements define the typical client relationships:

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### **Financial Planning Agreement**

A financial plan is designed to help the client with all appropriate aspects of financial planning without ongoing investment management on the part of the Registrant after the financial plan is completed.

Prior to engaging the Registrant to provide financial planning and/or consulting services, the client will generally be required to enter into a written agreement with the Registrant setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and the portion of the fee that is due from the client prior to the Registrant commencing services. Generally, the Registrant requires one-half of the financial planning /consulting fee (estimated hourly or fixed) payable upon

entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services. Either party may terminate the agreement by written notice to the other. In the event the client terminates the Registrant's financial planning and/or consulting services, the balance of the Registrant's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services the client shall be entitled to a full refund.

In performing its services, the Registrant shall not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. The Registrant may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if the Registrant recommends its own services.

The client is under no obligation to act upon any of the recommendations made by the Registrant under a financial planning / advisory engagement and/or engage the services of any such recommended professional, including the Registrant itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of the Registrant's recommendations. Moreover, each client is advised that it remains their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising the Registrant's previous recommendations and/or services.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of and is the sole responsibility of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The range of fees for financial planning services is between \$3,000 and \$25,000 and is negotiable. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided based on mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.



After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Follow-on implementation work is billed separately at the rate of \$250 per hour.

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### **Investment Management Agreement**

In the event the client determines to engage Waterstone Wealth Advisors LLC (the "Registrant") to provide investment management services, the Registrant shall do so on a fee basis. If engaged, the Registrant may charge an annual fee based upon a percentage of the market value of the assets being managed by the Registrant. The Registrant's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. However, the Registrant shall not receive any portion of these commissions, fees, and costs. The Registrant's annual fee shall be prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. The annual fee shall vary (between 0.50% and 1.50%) and is negotiable.

Alternatively, in certain circumstances, the Registrant shall charge a fixed annual fee (charged quarterly, in advance) for its investment management services which shall vary (between \$3,000 and \$40,000). The Registrant's fees shall be negotiated and agreed upon in advance and will vary among clients depending upon the market value of the assets under management and the type of investment management services to be rendered.

The Registrant does not impose an account minimum for starting or maintaining an account. However, as a condition for starting and maintaining a relationship, the Registrant shall generally impose a minimum annual fee of \$3,000. This minimum fee may have the effect of making the Registrant's service impractical for certain clients. The Registrant, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention, and pro bono activities.

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### **Hourly Planning Engagements**

Waterstone Wealth Advisors LLC provides hourly planning services for clients who need financial advice within a limited scope. The hourly rate for limited scope engagements is \$250.

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### **Asset Management**

Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a

transaction fee for the purchase of some funds. Waterstone Wealth Advisors LLC does not receive any compensation, in any form, from fund companies.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.

The Registrant also may render non-discretionary investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer-sponsored retirement plans. In so doing, the Registrant either directs or recommends the allocation of client assets among the various mutual fund sub-accounts 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.

Initial public offerings (IPO's) are not available through Waterstone Wealth Advisors LLC.

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### **Termination of Agreement**

Either party may terminate the agreement by written notice to the other. In the event the client terminates the Registrant's financial planning and/or consulting services, the balance of the Registrant's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services the client shall be entitled to a full refund.

## **Fees and Compensation**

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### **Description**

Waterstone Wealth Advisors LLC (the "Registrant") bases its fees on either a percentage of assets under management, hourly charges, or fixed fees.

The fee for financial planning and/or consulting services is predicated upon the facts known at the start of the engagement. The range of fees for financial planning services is between \$3,000 and \$25,000 and is negotiable. Financial plans are priced according to the degree of complexity associated with the client's specific situation.

For investment management services the annual fee will be prorated and charged quarterly, in advance, based upon the market value of the assets on

the last day of the previous quarter. The annual fee is between 0.50% and 1.50% and is negotiable. The client may make additions to and withdrawals from the account at any time, subject to the Registrant's right to terminate an account. If assets are deposited into an account after the inception of a quarter that exceed \$10,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter. Clients may withdraw account assets on notice to the Registrant, subject to the usual and customary securities settlement procedures. For partial withdrawals in excess of \$10,000 within a billing period, the Registrant shall credit its unearned fee towards the next quarter's fee. Additions may be in cash or securities provided that the Registrant reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. The Registrant may consult with its 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. However, the Registrant designs its portfolios as long-term investments and asset withdrawals may impair the achievement of a client's investment objectives.

For the initial quarter of investment management services, the first quarter's fees shall be calculated on a pro rata basis. The Agreement between the Registrant and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. The Registrant's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Pro rata calculations shall be determined by dividing the number of days remaining in that calendar quarter in which there is a withdrawal exceeding \$10,000 by the total number of days in that particular calendar quarter and multiplying the result by the quarterly fee billed for that quarter. Any unearned fee determined by this calculation shall be credited to the client against the fee for the subsequent quarter or, if this is not feasible, refunded to the client, as appropriate, in a timely manner.

Alternatively, in certain circumstances, the Registrant will charge a fixed annual fee (charged quarterly, in advance) for its investment management services which will be between \$3,000 and \$40,000.

The Registrant's fees shall be negotiated and agreed upon in advance and may vary depending upon the market value of the assets under management and/or the type of investment management services to be rendered.

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### **Fee Billing**

Fees for financial plans are billed 50% in advance, with the balance due upon delivery of the financial plan. Clients not maintaining an appropriate investment account with the Financial Institution (Fidelity Investments and

affiliates) will be presented with an invoice for any balance due for financial planning and/or consulting services.

Investment management fees are debited to the client's designated investment accounts quarterly in advance, meaning that we debit you at the beginning of the three-month billing period. Fees are deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account. All client assets are held at a qualified custodian, which means the custodian has agreed to send the client a statement at least quarterly indicating all amounts disbursed from the account including the amount of management fees paid directly to the Registrant.

The Registrant's Agreement and/or the separate agreement with the Financial Institution (Fidelity Investments and affiliates) may authorize the Registrant, through the Financial Institution, to debit the client's account for the amount of the Registrant's fee and to directly remit that management fee to the Registrant in accordance with applicable custody rules. The Financial Institution(s) recommended by the Registrant have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to the Registrant.

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### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security and overall portfolio allocation is more important than the nominal fee that the custodian charges to buy or sell the security.

The brokerage commissions and/or transaction fees charged by the Financial Institution(s) are exclusive of and in addition to the Registrant's fee. Currently, the Financial Institution we use as custodian (Fidelity Investments and affiliates) does not charge an annual custodial fee to our clients.

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### **Expense Ratios**

Mutual funds, exchange traded funds (ETFs) and closed end funds generally charge a management fee for their services as investment managers. This management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% (one half of one percent) for their services. The fees comprising the fund expense ratio are charged directly to the fund rather than to the client. These fees are in addition to the fees paid by you to Waterstone Wealth Advisors LLC.

Performance figures quoted by fund companies in various publications are after their fees have been deducted.

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**Past Due Accounts and Termination of Agreement**

Waterstone Wealth Advisors LLC (the “Registrant”) reserves the right to stop work on any account that is more than 30 days overdue. In addition, Registrant reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in Registrant’s judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded promptly.

## **Performance-Based Fees**

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**Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

Waterstone Wealth Advisors LLC does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Types of Clients**

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**Description**

Waterstone Wealth Advisors LLC generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations or business entities.

Client relationships vary in scope and length of service.

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**Account Minimums**

The minimum account size is \$200,000 of assets under management per client, which equates to our minimum annual fee of \$3,000 at the maximum annual fee for assets under management of 1.50%.

Waterstone Wealth Advisors LLC has the sole discretion to waive the account minimum. Accounts of less than \$200,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$200,000 within a reasonable time. Other exceptions will apply to employees of Waterstone Wealth Advisors LLC and their relatives, relatives of existing clients, and those parties who we feel could not, in our sole discretion, otherwise afford appropriate asset management services.

Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

# Methods of Analysis, Investment Strategies and Risk of Loss

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## Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that Waterstone Wealth Advisors LLC may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, Bonds On Line, Value Line, and the World Wide Web.

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## Investment Strategies

The primary investment strategy used in client accounts is strategic asset allocation utilizing a core and satellite approach. This means that we construct a broadly diversified investment portfolio utilizing Modern Portfolio Theory as the core of a portfolio, and then, if appropriate, add satellite positions where there may be greater opportunities to add additional returns. Portfolios are globally diversified to control the risk associated with traditional, domestic stock and bond markets.

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. Each client executes an Asset Allocation Questionnaire that documents their objectives, time frames and risk tolerance.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies). Option strategies will only be undertaken after the client has applied and been approved for options trading.

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## Risk of Loss

All investments and investment strategies have certain risks that are borne by the investor. 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.
- **Time Decay Risk:** A risk associated with option strategies where the possibility exists that an option will expire and become worthless.
- **Call Risk:** A risk associated with option strategies where the possibility exists that a stock underlying a call option will be "called away" from the client thereby causing the client to lose any further price appreciation on the stock above the call price.
- **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.

## **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 investment clients.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

Waterstone Wealth Advisors LLC engages in no other financial industry activities outside of the activities outlined in this brochure.

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### Affiliations

Waterstone Wealth Advisors LLC does not have arrangements that are material to its advisory business or to its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

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

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### Code of Ethics

The Waterstone Wealth Advisors LLC (the "Registrant") has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Advisers Act, its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by the Registrant or any of its associated persons. The Code of Ethics also requires that certain of the Registrant's 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 and prospective clients may contact John C. Moynihan, Certified Financial Planner® and Managing Member, by phone at 732-873-0433, by fax at 732-873-2296 or by e-mail at [john.moynihan@wwallc.net](mailto:john.moynihan@wwallc.net) to request a copy of its Code of Ethics.

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### Participation or Interest in Client Transactions

Unless specifically permitted in the Registrant's Code of Ethics, none of the Registrant's Access Persons 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) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of the Registrant's clients.

When the Registrant is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect 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 the Registrant is selling or considering the sale of any security on behalf of a client, no Access Person may effect 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.

All employees comply with the provisions of the Waterstone Wealth Advisors LLC Compliance Manual.

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### **Personal Trading**

The Chief Compliance Officer of Waterstone Wealth Advisors LLC is John C. Moynihan, Certified Financial Planner® and Managing Member. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, these trades made by and/or on behalf of Access Persons do not affect the securities markets or the trades of our clients.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

Waterstone Wealth Advisors LLC (the "Registrant") does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. The Registrant recommends custodians based on the proven integrity and financial responsibility of the custodian firm and the best execution of orders at reasonable commission rates.

The Registrant shall generally recommend that clients utilize the brokerage and clearing services of Fidelity Investments and its affiliates (collectively referred to as "Fidelity") for investment management accounts.

The Registrant does not receive fees or commissions from any of these arrangements.

The client may direct the Registrant in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and the Registrant will not seek better execution services or prices from other

broker-dealers or be able to “batch” client transactions for execution through other broker-dealers with orders for other accounts managed by the Registrant (as described below under “Order Aggregation”). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, the Registrant may decline a client's request to direct brokerage if, in the Registrant's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

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### **Best Execution**

Factors which Waterstone Wealth Advisors LLC (the “Registrant”) considers in recommending Fidelity or any other brokerage and clearing firm to clients include their respective financial strength, reputation, execution, pricing, research, and service. Fidelity enables the Registrant to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity may be higher or lower than those charged by other broker-dealers.

The Registrant reviews the execution of trades at this custodian each quarter. The review is documented in the Waterstone Wealth Advisors LLC Compliance Manual.

Trading fees charged by the custodian are also reviewed on a quarterly basis. Waterstone Wealth Advisors LLC does not receive any portion of the trading fees.

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### **Research and Additional Benefits**

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Waterstone Wealth Advisors LLC (the “Registrant”) in its investment decision-making process. Such research generally will be used to service all of the Registrant's clients, but brokerage commissions paid by one client may be used to pay for investment research products and/or services that are not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest.

The Registrant may receive from Fidelity, without cost to the Registrant, computer software and related systems support, which allow the Registrant to better monitor client accounts maintained at Fidelity. The Registrant may receive the software and related support without cost because the Registrant renders investment management services to clients that maintain assets at Fidelity. The software and related systems support may benefit the Registrant, but not its clients directly. In fulfilling its duties to its clients, the Registrant endeavors at all times to put the interests of its clients first. Clients

should be aware however that the Registrant's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence the Registrant's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, the Registrant may receive the following benefits from Fidelity through Fidelity Institutional Wealth Services: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Advisor Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

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### **Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

Individual securities transactions for each client generally will be effected independently, unless the Registrant decides to purchase or sell the same individual securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among the Registrant's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Registrant determines to aggregate client orders for the purchase or sale of securities the Registrant shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. The Registrant shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Registrant determines 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 reached an investment guideline limit and cannot participate in an allocation, shares may be re-allocated 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 minimus allocation in one or more accounts, the Registrant may exclude the account(s) from the allocation; the transaction 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.

## **Review of Accounts**

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### **Periodic Reviews**

Account reviews are performed quarterly by John C. Moynihan, Certified Financial Planner® and Managing Member. Account reviews are performed more frequently when market conditions dictate.

Financial plans are reviewed annually or as a change in client circumstances dictates. These financial plan reviews are performed by John C. Moynihan, Certified Financial Planner® and Managing Member.

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### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### **Regular Reports**

The Periodic Review takes into consideration the client's current security positions, the client's target or model portfolio and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Clients receive periodic communications on at least an annual basis. The written updates may include a net worth statement, portfolio statement, and a summary of objectives and progress towards meeting those objectives.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

Waterstone Wealth Advisors LLC has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

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**Referrals Out**

Waterstone Wealth Advisors LLC does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

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**Other Compensation**

We receive no compensation or consideration from any source except our clients with the exceptions as disclosed under the "Soft Dollars" heading above.

## **Custody**

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**Account Statements**

All client assets are held at a qualified custodian, which means the custodian has agreed to send the client a statement at least quarterly indicating all amounts disbursed from the account including the amount of management fees paid directly to the Registrant.

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**Performance Reports**

Clients are urged to compare the report statements provided by Waterstone Wealth Advisors LLC to the account statements received directly from their custodians to This instruction is prominently displayed in each account statement provided to clients by Waterstone Wealth Advisors LLC.

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**Net Worth Statements**

Clients are frequently provided net worth statements and net worth graphs that are generated from our client relationship management system. Net worth statements may contain approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

## **Investment Discretion**

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**Discretionary Authority for Trading**

Waterstone Wealth Advisors LLC (the "Registrant") accepts discretionary authority to manage investment accounts on behalf of clients. Registrant has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, the Registrant consults with the client prior to each trade to obtain concurrence if a discretionary trading authorization has not been given.

The client approves the custodian to be used and the commission rates paid to the custodian. Registrant does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in client accounts on behalf of each client so that we may promptly implement the clients' investment strategy.

Clients may, with the prior consent of the Registrant, limit or restrict the purchase or sale of certain securities within their accounts provided they inform the Registrant prior to entering into the Agreement.

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### **Limited Power of Attorney**

A limited power of attorney is an authorization for the purpose of discretionary trading. Clients sign a limited power of attorney as part of the Investment Management Agreement so that we may execute trades on their behalf.

## **Voting Client Securities**

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### **Proxy Votes**

Waterstone Wealth Advisors LLC (the "Registrant") may vote proxies on behalf of its clients. When the Registrant accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in the Registrant's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in the Registrant's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. At any time, clients may contact the Registrant to request information about how Registrant voted proxies for that client's securities or to get a copy of the Registrant's Proxy Voting Policies and Procedures. A brief summary of the Registrant's Proxy Voting Policies and Procedures is as follows:

- The Registrant has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to the Registrant's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are to be followed as a general policy, certain issues will be considered on a case-by-case basis based on

the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, the Registrant shall devote an appropriate amount of time and resources to monitor these changes.

- In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that the Registrant maintains with persons having an interest in the outcome of certain votes, the Registrant will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.
- Clients may, after providing the Registrant with sufficient prior notice, direct us to change the instructions on file so that the client will receive all future proxy solicitations pertaining to the shares that they own.

## **Financial Information**

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### **Financial Condition**

Waterstone Wealth Advisors LLC 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 Waterstone Wealth Advisors LLC does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$500 per client six months or more in advance.

## **Requirements for State-Registered Advisors**

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John C. Moynihan is the Managing Member of Waterstone Wealth Advisors, LLC. For more information about the above individual, please see the Brochure Supplements to the Registrant's Brochure.

Waterstone is not engaged in any other business than as set forth in this Brochure.

Neither Waterstone, nor its representatives, has been the subject of any disciplinary actions.

Neither Waterstone, nor its representatives, has any relationship or arrangement with any issuer of securities.

# Business Continuity Plan

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## General

Waterstone Wealth Advisors 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

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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## Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

# Information Security Program

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## Information Security

Waterstone Wealth Advisors LLC maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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## Privacy Notice

Waterstone Wealth Advisors LLC is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these non-affiliated third parties by notifying us at any time by telephone at 732-873-0433, by mail at our address listed on the cover of this brochure, by fax at 732-873-2296, or by e-mail at [john.moynihan@wwallc.net](mailto:john.moynihan@wwallc.net), or in person. With



your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

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

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### Education and Business Standards

All individuals that render investment advisory services on behalf of the Registrant must have earned a college degree and/or have substantive investment-related experience. In addition, all such individuals shall have attained all required investment-related licenses and/or designations.

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### Professional Certifications

Employees have earned the following certifications and credentials that are required to be explained in further detail.

Certified Financial Planner (CFP®): Certified Financial Planners are licensed by the CFP® Board to use the CFP® mark. CFP® certification requirements:

- Bachelor's degree from an accredited college or university or have equivalent education or work experience.
- Completion of the financial planning education requirements set by the CFP® Board ([www.cfp.net](http://www.cfp.net)).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

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### John C. Moynihan, CERTIFICATIONS

JOHN C. MOYNIHAN, CFP®

Born 1958

#### Post-Secondary Education:

St. John's College, Annapolis, MD - 1981, Liberal Arts / Classics

Certified Financial Planner®, 10/2000 to Present

#### Recent Business Background:

Waterstone Wealth Advisors, LLC, Managing Member, 04/2006 to Present

American Express Financial Advisors, Inc., Financial Advisor, 01/1996 to 04/2006 (currently known as Ameriprise Financial Services, Inc.)

IDS Life Insurance Company, Agent, 01/1996 to 04/2006

Prudential Insurance Company, Registered Representative, 09/1994 - 12/1995

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**Supervision**

Waterstone Wealth Advisors, LLC provides investment advisory and supervisory services in accordance with current state regulatory requirements. Waterstone's Chief Compliance Officer, John C. Moynihan, is primarily responsible for overseeing the activities of Waterstone's supervised persons. Mr. Moynihan also monitors accounts and conducts account reviews on at least an annual basis. Should a client have any questions regarding Waterstone's supervision or compliance practices, please contact Mr. Moynihan at 732-873-0433.

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**State-Registered Investment Advisors**

Mr. Moynihan has never been involved in an arbitration proceeding or a civil, self-regulatory, or administrative proceeding.

Mr. Moynihan has never been the subject of a bankruptcy petition.