

**Firm Brochure**  
**(Form ADV Part 2A)**  
**Updated as of: December 31, 2013**

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This brochure provides information about the qualifications and business practices of Berno Financial Management, Inc and its employees. If you have any questions about the contents of this brochure, please contact Bruce Berno at 513-474-9191 ext 1 or by e-mail at [bruce@bernofinmgt.com](mailto:bruce@bernofinmgt.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Berno Financial Management, Inc. is a registered investment adviser (RIA) which means that we manage assets of high net-worth individuals and must register with Securities and Exchange Commission (SEC). Registering with the SEC does not imply a certain level of skill or training.

Additional information about Berno Financial Management, Inc is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2: Material Changes**

### **Annual Update**

We are required to amend our ADV and our Firm Brochure annually. You received the Firm Brochure in its entirety in 2011, or at the beginning of your relationship with us, whichever is later.

This document is to inform you of only Material Changes since our last annual update of 12/31/2012. If you would like more information about these changes, we will send you a full copy of the updated Firm Brochure upon request.

### **Material Changes since the Last Update dated December 31, 2012.**

- Item 4: page 1: As of 12/31/2013 we manage \$123,918,000 on a discretionary basis and \$15,100,000 on a non-discretionary basis
- Item 4: page 2: through new education and designations obtained by Donna and Kathy, we are able to offer more thorough Social Security planning and help navigate through the many options available to you to maximize your benefits.
- Item 15: page 14 – Custody: Account access (other than at TD Ameritrade) that has a withdrawal functionality component constitutes custody and holds us to having an annual surprise audit from an outside CPA firm to review our procedures. These online capabilities will also allow us to research funds and place trades for rebalancing. We feel this access is extremely beneficial in the services that we are able to provide to you. As of 12/31/2013, \$10,700,000 of our assets are considered, under custody.
- Brochure Supplement: page 16  
Bruce J. Berno  
Continuing education for NAPFA members of 5 or more years has changed. Bruce, will now have the option to report 58 CEs in any CORE or ELECTIVE area with no minimum or maximum. The two CEs in Ethics remain mandatory.
- Brochure Supplement: page 20  
Donna L. Ellis  
During 2013, Donna obtained the following designations:  
NAPFA Registered Financial Advisor  
National Social Security Advisor
- Brochure Supplement: page 24  
Kathy L Blain  
During 2013, Kathy obtained the following designations:  
NAPFA Registered Financial Advisor  
National Social Security Advisor

## Table of Contents

<b>Item 2: Material Changes.....</b>	<b>ii</b>
Annual Update.....	ii
Material Changes since the Last Update dated December 31, 2011. ....	ii
<b>Item 4: Advisory Business .....</b>	<b>1</b>
Firm Description .....	1
Types of Advisory Services .....	1
Tailored Relationships.....	4
Wrap Fee Programs .....	4
Termination of Services .....	4
<b>Item 5: Fees and Compensation .....</b>	<b>5</b>
Description .....	5
Fee Billing.....	5
Other Fees .....	7
<b>Item 6: Performance Fees and Side by Side Management.....</b>	<b>7</b>
<b>Item 7: Types of Clients .....</b>	<b>8</b>
<b>Item 8: Methods of Analysis, Investment Strategies and Risk of Loss ..</b>	<b>8</b>
Methods of Analysis .....	8
Investment Strategies .....	8
Risk of Loss.....	8
<b>Item 9: Disciplinary Information .....</b>	<b>9</b>
Legal and Disciplinary .....	9
<b>Item 10: Other Financial Industry Activities and Affiliations.....</b>	<b>9</b>
Financial Industry Activities & Affiliations .....	9
<b>Item 11: Code of Ethics.....</b>	<b>9</b>
Code of Ethics .....	9
Privacy Policy .....	9
Participation or Interest in Client Transactions .....	10
Personal Trading.....	10
<b>Item 12: Brokerage Practices.....</b>	<b>11</b>
Selecting Brokerage Firms.....	11
Best Execution .....	11
Soft Dollars .....	11
Order Aggregation.....	11
<b>Item 13: Review of Accounts.....</b>	<b>12</b>
Periodic Reviews.....	12

Review Triggers .....	12
Regular Reports .....	12
<b>Item 14: Client Referrals and Other Compensation.....</b>	<b>13</b>
Incoming Referrals .....	13
Referrals Out .....	14
Other Compensation .....	14
<b>Item 15: Custody .....</b>	<b>14</b>
Account Statements .....	14
<b>Item 16: Investment Discretion .....</b>	<b>15</b>
Discretionary Authority for Trading.....	15
<b>Item 17: Voting Client Securities .....</b>	<b>15</b>
Proxy Votes .....	15
<b>Item 18: Financial Information .....</b>	<b>15</b>
Financial Condition .....	15
<b>Item 19: Requirements.....</b>	<b>15</b>
Requirements for State-Registered Advisers.....	15
<b>Brochure Supplement (Part 2B of Form ADV) .....</b>	<b>16</b>
Bruce J. Berno.....	16
Donna L. Ellis .....	20
Kathy L. Blain .....	24
Patricia M. Smith .....	28

## **Item 4: Advisory Business**

### **Firm Description**

Berno Financial Management, Inc. (BFMI) was founded in 1993 by Bruce J. Berno, Certified Financial Planner™ and Principal Owner, creating one of the first truly independent, fee-only personal financial planning and investment advisory firms in Cincinnati, Ohio.

Developing close, personal relationships, paying attention to details and quality over quantity are principles that have guided us. Since being founded in 1993, BFMI has enjoyed a 95%+ client retention rate. As of 12/31/2013 we manage \$123,918,000 on a discretionary basis and \$15,100,000 on a non-discretionary basis. We serve over 90 families in 15 different states.

We are committed to providing leading edge, academically based services and advice. Continuing education, staff development and efficient client service are a high priority. We improve our services by including feedback from our clients.

Our mission is to help our clients achieve financial peace of mind.

### **Types of Advisory Services**

We offer two types of personal services:

1. Personal Wealth Management
2. Financial Planning Consultation Service

One unique characteristic that distinguishes our services is the amount of detail we solicit in our initial data gathering and fact-finding. We request a significant amount of detailed information from you and we invest a lot of time and effort getting to know you and your complete personal financial picture. We believe that just like a doctor should not prescribe medical treatment without knowing your medical history, we should not provide financial advice without asking as much as possible about your financial affairs. Our data gathering may include the following documents:

1. Let's Get Started! Part I Introduction
2. Let's Get Started! Part II Qualitative Information
3. Let's Get Started! Part III Quantitative Information
4. Personal Financial Profile by FinaMetrica
5. Investment Policy Statement questionnaire
6. Personal Retirement Projection questionnaire

**Personal Wealth Management** - identifies and prioritizes your personal financial goals and provides investment management designed to achieve your long-term financial goals. Our Personal Wealth Management Service offers our full range of services, which includes:

**Investment Management**

We use a Total Portfolio Approach to incorporate all of your family investment Accounts, including employer 401(k) plans, into an over-all portfolio. We review investment education material with you to help you understand the rewards and risks of different types of investments. We emphasize the importance of diversification or spreading your portfolio among different types of investments. We recommend an asset allocation, or mixture of stocks, bonds and cash, based on our assessment of your financial goals and your expected or required rate of return and tolerance for volatility. One tool we use is a personal financial profile questionnaire. We also recommend asset location or what types of investments to have in what types of investment accounts based on income tax consequences and future deposit or withdrawal plans for each account. Our asset allocation recommendation is based on a long-term investment time horizon of 5 to 10 years or more. We do not try to make short term predictions about investment returns. We prepare a written Investment Policy Statement to formally document your investment portfolio goals, cash flows, asset allocation and management of your investment portfolio

- We offer advice on the following types of investments.
  - Mutual Funds
  - Exchange-Traded Funds (ETFs)
  - Certificates of Deposit
- We will hold other types of investments in your account and place trades at your request but we do not give advice on individual stocks, individual bonds, hedge funds, or options (buying or selling of puts and calls).
- For high net worth and high income tax bracket clients, we may recommend a natural gas and oil well joint venture investment that provides substantial initial income tax deductions and future income. Investors must meet Accredited Investor regulatory requirements for net worth and income and such investments are generally illiquid so they should be limited as a percentage of an investor's net worth.
- We offer the following investment reports:
  - Monthly Newsletter
  - Investment Policy Statement
  - Monthly Summary of Accounts and Performance Report
  - Quarterly Custom Portfolio Report
  - Annual Investment Review Report and Meeting
    - Our goal is to meet with you at least once a year, however meetings may be scheduled as often as necessary to assure your needs are met.

**Personal Financial Planning**

We offer advice, subject to your request and needs, on cash flow planning, insurance needs, income tax management, education funding, employee benefit plans, retirement planning, charitable gift planning, estate planning and social security.

- Cash Flow: We prepare an annual cash flow report to calculate your Savings rate or Spending Ratio and your average monthly living expenses. We provide advice on using Quicken or Mint.com or other web based tools to track cash flow.

- Insurance Review: We can review your life, disability and long term care insurance needs and coverage. We are not licensed to sell insurance policies but will work with your insurance agent or give you a referral, if needed. Our insurance analysis is limited to the type and amount of insurance. We do not advise on property/casualty (home and auto) or health insurance.
- Income tax management: We offer strategies to make your investment portfolio income tax efficient. We offer basic income tax saving strategies. We do not prepare income tax returns.
- Education funding: We offer advice on college funding including investing in 529 plans.
- Employee Benefit Plans: We can offer advice on enrolling in group life and disability plans, strategies for employee stock options and restricted stock units and 401k plans. We do not offer advice on group health insurance plans.
- Retirement planning: We offer advice on participating in employer retirement plans. We offer a Retirement Projection Financial Plan Report to answer the question “Can I afford to retire? Or “Will I outlive my money?”. Reports of this nature are very sensitive to assumptions.
- Charitable gift planning: We offer advice on how to make charitable gifts in an income tax and estate plan efficient manner, including the use of a donor advised fund at a community foundation.
- Estate Planning Review
  - We will review your current estate planning documents.
  - We recommend Living Will and Health Care Power of Attorney forms, Financial Power of Attorney Forms, Last Will and Testament and Revocable Living Trust documents.
  - We review your estate plan every 5 years or sooner if there is a life changing event like a death in the family or changes in your net worth or estate tax laws.
  - We review ownership titles on financial accounts to the extent that we have access to the required information.
  - We review beneficiary designations on qualified retirement accounts like IRA’s and 401(k)’s and non-qualified accounts like annuities.
  - We review beneficiary designations on life insurance policies.
  - We are not attorneys and do not prepare legal documents. We will work with the estate planning attorney of your choice or we can refer you to one. Standardized documents such as Living Wills and Health Care Power of Attorney and Financial Power of Attorney forms may be available in a standard format authorized by state law and, if so, we may prepare such standard forms for your signature based on your instructions.
- Social Security Planning: We offer advice on social security. There are many options available to individuals and couples. We help make the decision that will best fit your situation and help to maximize your social security benefits

We offer the following financial planning reports:

- Monthly Newsletter
- Annual Net Worth Report
- Annual Cash Flow Report,
- Annual Tax Analysis Report
- Retirement Projection Financial Plan Report is offered to answer the question “Can I afford to retire? Or “Will I outlive my money?”.

**Financial Planning Consultation Service** – designed to address personal financial planning questions and includes limited, if any, investment advice. Common questions include “Are we saving enough for retirement?” or “Can we afford to retire?” Other questions may include insurance needs, education planning and estate planning.

**Investment Advisory Services (Qualified Corporate Employer Retirement Plans)**

BFMI offers Investment Advisory Services to Plan Sponsors. We may provide assistance with the development of an investment policy statement, investment options and employee communication.

**Tailored Relationships**

We will tailor each portfolio to your individual needs. For example, if there is a stock or a fund that you would like to continue to hold, we will discuss and build your portfolio from there.

**Wrap Fee Programs**

We do not participate in wrap fee programs.

**Termination of Services**

Our services will continue until you or we provide a 15 day written notification of intent to terminate services. Your account will be billed through the end of the month in which the notice was received.

You may terminate your advisory agreement with us within 5 business days of signing the Agreement without any penalty if we do not deliver our Firm Brochure to you within 48 hours of signing the client agreement.

If we become aware that any funds you are transferring to us were obtained through illegal means, the service agreement will be immediately terminated



## **Item 5: Fees and Compensation**

### **Description**

We are 100% Fee-Only, which means that our only source of income comes from the fee we charge you. We do not receive commissions nor do we get a share of income earned by others. We are not paid by any brokerage firm or mutual fund company to use their services. We do not receive referral fees from other sources. This eliminates a potential conflict of interest.

### **Personal Wealth Management Service:**

#### Initial Planning & Portfolio Design Fee:

To begin our relationship, significant time and effort is spent upfront on initial personal financial planning and portfolio design. Therefore, we charge a one-time flat fee.

Typically the fee ranges from \$1,200 to \$3,600. You may either send a check for this payment or we can deduct it from one of your accounts. Your Annual Fee will not begin until your Investment Portfolio Proposal has been implemented.

#### Our Annual Fee:

\$3,600 Base Fee plus:

First \$2,000,000 of Market Value Times 0.6%

\$2,000,001 to \$4,000,000 of Market Value Times 0.5%

\$4,000,001 to \$6,000,000 of Market Value Times 0.4%

Above \$6,000,000 of Market Value Times 0.3%

Minimum Annual Fee: \$7,200

We recommend a minimum portfolio size of \$750,000.

Minimum Annual Fee may be waived and/or Base Fee adjusted up or down based on client situation and service needs. If you are a “young accumulator” you may qualify if you expect to reach a \$750,000 portfolio size in a reasonable time period, in our sole discretion.

Our base fee covers fixed costs of the portfolio management and annual personal financial planning services. The Base Fee allows the % of market value fee to be lower. So as you invest more money, the cost to add an extra dollar is 0.6% if your assets are under \$2,000,000, or 0.4% if your assets are between \$4,000,001 and \$6,000,000. We will combine all of your accounts under our management for the market value calculation. If you should decide to close an account or terminate our relationship, you will be responsible for the fee through the end of the final month.

### **Fee Billing**

Your fee will be calculated as of the last market day of each month at 1/12<sup>th</sup> the annual rate. The fee will be deducted from one or more of your accounts. We will send your invoice, a summary of your portfolio holdings and our monthly newsletter to you each month.

**Financial Planning Consultation Services:**

Fee arrangement is based on the scope of the project.

Typically consists of one of three formats or combination thereof:

- 1) A flat fee arrangement using percentage of investment portfolio value for investment advisory services. Typical range from 0.50% to 1.25% of assets.
- 2) A flat fee arrangement or dollar range based on scope of project.
- 3) An hourly rate, based on complexity and value-added. Clients are served by a team approach with hourly rates ranging from \$120 to \$140 for Junior CFP or Junior Advisor and \$180 for Senior CFP. Registered ParaPlanner or Administrative time is \$80.00 per hour.

**Minimum Fee:** \$2,400.00

Minimum Fee may be waived for very limited projects.

An annual retainer or periodic review fee arrangement can be customized.

**Fee Billing**

You will receive your invoice upon completion of the project or in a pro-rated amount if project is not completed within 30 days. Payment in the form of a check is due upon receipt in full unless other arrangements have been made in writing.

**Investment Advisory Services (Qualified Corporate Employer Retirement Plans)**

Investment Advisory Services are provided under a letter of agreement for each plan. Our fee is charged in arrears either quarterly or monthly set in the Letter of Agreement. Our fee is separate from any third-party administrator, record-keeper, custodian or brokerage fees.

Investment Advisory Services are offered under the following sliding fee schedule:

<u>Annual %</u>	<u>Size of Portfolio</u>
1.00%	First \$500,000
.80%	Next \$ 500,001 - \$1,000,000
.70%	Next \$1,000,001 - \$2,000,000
.60%	Next \$2,000,001 - \$3,000,000
.50%	Over \$3,000,000

Start-up plans or plans under \$500,000 will be subject to a minimum annual fee to be determined on a case-by-case basis and identified in the letter of agreement.

Payment may be paid directly by you or directly from your account by the qualified custodian holding the funds and securities. The United States Securities and Exchange Commission (“SEC”) takes the position that account access to facilitate fee deduction can result in custody of funds unless steps to avoid constructive custody have been taken. To avoid custody, in accordance with the SEC’s Investment Adviser’s Act of 1940, when payment is made by the custodian:

- (1) You provide written authorization permitting the fees to be paid directly from your account held by the independent and qualified custodian and the authorization is limited to withdrawing contractually agreed upon Investment Adviser fees;
- (2) You will receive regular quarterly reports from the qualified custodian which reflect our fee deduction
- (3) The frequency of fee withdrawal shall be specified in the written agreement;
- (4) The custodian of the account shall be advised in writing of the limitation on BFMI’s access to the account;
- (5) You are able to terminate the written billing authorization or agreement at any time.

You are responsible for verifying the accuracy of our fee calculation, and for contacting us if there are any questions.

Each client shall receive a written letter of agreement identifying services to be provided and documenting the fee arrangement.

### **Other Fees**

In addition to our fees, you may incur stock or bond brokerage commissions, mutual fund transaction fees, account opening, maintenance, transfer or termination fees, cash wire transfer fees or other third-party charges. You are responsible for these fees. We recommend that you read the prospectus of each fund that you hold for a full understanding of each fund’s fees and expenses.

Fees may be waived for family members or friends of the Adviser.

## **Item 6: Performance Fees and Side by Side Management**

Performance Based Fees are fees that are based on a share of capital gains or capital appreciation of assets that you may hold, such as a hedge fund or pooled investment vehicle.

Performance Based Fees can add a conflict of interest to our company and therefore we don’t use Performance Based Fees.

## **Item 7: Types of Clients**

We provide investment advice to individuals, profit sharing/401(k) plans and to personal trusts. We recommend a minimum portfolio value of \$750,000 in order to keep your annual fee percentage below 1.1%.

If we give advice on an ERISA account, we will follow the regulations of the Employee Retirement Income Security Act of 1974. You will be required to list us as insured under the bond coverage and provide us with a copy of the plan documents and of the bond coverage.

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

### **Methods of Analysis**

We emphasize passive management to track a market index or asset class in a low cost tax efficient manner. We utilize academic research that emphasizes a bias towards value style and small company stocks.

### **Investment Strategies**

We use a total portfolio approach which looks at all of your accounts together. The portfolio is designed to be a multi-asset class and broadly diversified portfolio. We place an emphasis on index or passive management and on tax efficiency.

We will design your portfolio, using the results from a personal financial profile questionnaire and through conversations with you. An asset allocation of a specific percentage of stocks, bonds and cash will be determined. Your stocks will be invested in US markets (typically 60% of stocks), international markets (typically 25% of stocks) and in some alternative strategy funds including Real Estate Investment Trusts, commodities and low volatility strategies (typically 15% of stocks). We believe that there is a higher risk in international and alternative investments, so we have a smaller portion of your portfolio invested in these funds, but do not exclude them due to their diversification qualities. The portion of your portfolio in bonds will be invested in high quality short or intermediate term bonds. We do not recommend low quality, junk bonds or long term bonds. Cash that is needed for your living expenses and our fees will be kept in a money market. We will review your cash needs with you at least annually.

We will review your portfolio at least quarterly. Strategic asset allocation will be followed which involves periodically rebalancing the portfolio in order to maintain the long term target goal for your asset allocation.

When we rebalance, trades placed may cause taxable gains or losses. Please contact your tax adviser for the specific effect on your situation.

Your portfolio will be customized for you, therefore, we do not utilize block trading.

### **Risk of Loss**

Investing your assets involves risk. You should be prepared to incur some losses in your portfolio.

## **Item 9: Disciplinary Information**

### **Legal and Disciplinary**

There have not been any legal or disciplinary events for the past 10 years that need to be disclosed.

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

### **Financial Industry Activities & Affiliations**

No one in our office is registered, nor have any plans to register in material relationships or affiliations with other industry participants.

There is no one within our office or related to an employee that is a general partner in any partnership of a security that we recommend to you.

## **Item 11: Code of Ethics**

### **Code of Ethics**

We have a Code of Ethics for the purpose of instructing us in our ethical obligations and to provide rules for our own personal securities transactions. We have a duty of loyalty, fairness and good faith to you. Our obligation is to adhere to the general principles and the specific provisions of the Code.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures.

We will provide a copy of our Code of Ethics at your request.

### **Privacy Policy**

Berno Financial Management, Inc. (BFMI), an independent financial planning firm is committed to safeguarding the confidential information of its clients. We hold all personal information provided to our firm in the strictest confidence. These records include all personal information that we collect from you in connection with any of the services provided by BFMI. We have never disclosed information to nonaffiliated third parties, except as permitted by law, and do not anticipate doing so in the future. If we were to anticipate such a change in firm policy, we would be prohibited under the law from doing so without advising you first. As you know, we use financial information that you provide to us to help you meet your personal financial goals while guarding against any real or perceived infringements of your rights of privacy. Our policy with respect to personal information about you is listed below.

- We limit employee access to information only to those who have business or professional reason for knowing, and only to nonaffiliated parties as permitted by law. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf, or so that our firm can discuss your financial situation with your accountant or lawyer.)

- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- The categories of nonpublic personal information that we collect from a client depend upon the scope of the client engagement. It will include information about your personal finances, information about your health to the extent that it is needed for the planning process, information about transactions between you and third parties.
- For unaffiliated third parties that require access to your personal information including financial service companies, consultants, and auditors, we also require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.
- We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.
- Personally identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records required to be maintained by federal and state securities laws, and consistent with the CFP Board Code of Ethics and Professional Responsibility. After the required period of record retention, all such information will be destroyed.

### **Participation or Interest in Client Transactions**

We have a firm wide policy in place outlining Insider Trading Compliance. Insider trading refers to any of our employees receiving non-public information from you or any other client regarding the status of a security and then trading in their personal account to benefit from the information. Signed documents are kept on file acknowledging receiving, reading and understanding the policy and the consequences of trading with non-public information.

### **Personal Trading**

Before any personal trades are placed, our Chief Compliance Officer, Bruce Berno, must review and approve all trades. All of these trades are kept on file. Our personal accounts will hold some of the same securities that are held in your account. We work with mutual funds, which means that all trades placed receive the same closing price. This eliminates a conflict of interest with the timing of trading.

## **Item 12: Brokerage Practices**

### **Selecting Brokerage Firms**

When selecting our preferred service providers we consider:

- your best interests first
- transaction fees so they are competitive with services rendered
- client services including website access, statements and tax reporting
- administrative and operational services and support
- the firm's ability to download data to our portfolio management system

If you are a Personal Wealth Management client, we will utilize the services of TD Ameritrade. You may pay a higher commission or transaction fee through TD Ameritrade, but their brokerage and technology provides you and us the best overall value. We do not generally negotiate commissions or transaction fees. Most commissions and transaction fees are flat fees.

TD Ameritrade offers a special website for clients of advisors wherein you can review all of your accounts in a single website access. You can change statement preferences and access statements, confirmations and tax documents.

If you are a Financial Planning Consultation client, we do not maintain limited discretionary authority and therefore, you are responsible for selecting your own brokerage service. We may suggest TD Ameritrade, The Vanguard Group and/or TIAA-CREF to you.

If we are providing Investment Advisory Services for your Qualified Corporate Employer Retirement Plan we may use TD Ameritrade or Nextstep.

### **Best Execution**

When executing orders on your behalf, it is our duty to obtain best price and execution for you. Our choice to use TD Ameritrade may limit or eliminate our ability to obtain best price and execution for each over-the-counter stock transaction. Best execution is not an issue with mutual fund trading since all trades are executed at daily closing price. The United States Securities and Exchange Commission ("SEC") requires brokerage firms to make their order routing practices via quarterly reports publicly available. You may obtain copies of these reports from the SEC.

BFMI has a Trade Error Account at TD Ameritrade. This account may only be used to correct erroneous trades that may have been placed in one of your accounts. If the Trade Error Account has a positive balance we may not withdrawal any funds to benefit BFMI.

### **Soft Dollars**

We do not use soft dollars. Soft dollars involve paying a higher commission for brokerage services in exchange for research or investment services. Our brokerage custodian, TD Ameritrade, does provide the ability to download your investment account information to our portfolio management system and TD Ameritrade provides fee processing services. Both services are provided at no cost. These are typical benefits that we would receive from most service providers and therefore does not impose a conflict of interest.

### **Order Aggregation**

BFMI reviews your accounts and places trades specifically for you. We do not aggregate trades or do block trading since neither is beneficial to mutual fund trading.

## Item 13: Review of Accounts

### Periodic Reviews

If you are a **Personal Wealth Management client**, your accounts will be reviewed in detail at least quarterly by Bruce J. Berno, CFP®, Donna L. Ellis, CFP® or Kathleen L. Blain, CFP®. In this review, changes will be made to your portfolio if we notice differences between your current portfolio and your target allocation that we developed. For example, if your stock target is set at 70% and your current stock allocation is at 75%, we will rebalance your stocks to the 70% target with proceeds going to the low bond and/or cash allocation. This process captures the gains and guides us to buy low and sell high.

On an annual basis, we will do a more in-depth review of your portfolio and request a meeting with you. At this meeting we review your investments, performance measurement reports and your long term goals. We will also review and update your Investment Policy Statement.

If you are a **Financial Planning Consultation Service** client, this service is not continuous and will terminate once the services you requested are complete. The advice we provide during the course of the project may include recommendations for reviews or other follow-up services, but services are not continuous and ongoing. We will encourage you to contact us for an annual review or when your situation changes.

If you are a **Qualified Retirement Plan Services** client, your Plans will be reviewed at least quarterly and meetings with the participants are offered at least annually.

### Review Triggers

For our Personal Wealth Management clients, life changing events may trigger a portfolio review sooner than your quarterly scheduled review. For example, if you make a large cash deposit or withdrawal, we will do a new Investment Portfolio Proposal and rebalance your portfolio accordingly.

### Regular Reports

**Personal Wealth Management clients** will receive access to the following reports via a password protected client portal on our website. You may also elect to receive them in paper form:

Monthly:

- Your current invoice
- Summary of your holdings as of the month end
- Performance report
- Statements from our service provider for each of your accounts, either electronically or paper form

Quarterly:

- Custom Portfolio Report showing portfolio actual allocations vs. target allocations and summary of diversification by asset class.

Annually:

- Portfolio Performance Reports showing your long term returns since you became a client with us
- Income Tax Reporting Documents
  - Realized Gains/Losses Report for Taxable Accounts
  - A list of our fees charged to Taxable Accounts



If you are a **Pre-Retirement Financial Planning Service** client, you will receive an initial analysis report(s) and written recommendation(s). We will send a letter to you each year, for five years, recommending a follow up meeting. It is your responsibility to contact us if you would like a follow up review.

If you are a **Qualified Retirement Plan Services** client, and your Plan utilizes the record-keeping services of NextStep Defined Contribution, Inc., you have 24/7 internet access to accounts. Other plans, depending on your Third Party Administrator services, will receive statements either monthly from the custodian where their assets are being held or at least annually from the Third Party Administrator.

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

### **Incoming Referrals**

BFMI relies on you for the majority of our referrals. If you have been satisfied with our services, we encourage you to share your experience with your colleagues and friends. We do not compensate to avoid conflicts of interest.

Any referral business we receive from attorneys, accountants and other professionals is not compensated.

### **Paladin Registry**

Bruce J. Berno is a member of the Paladin Registry ([www.paladinregistry.com](http://www.paladinregistry.com)).

You may use Paladin Registry services to:

- learn about financial advisors
- learn how to avoid bad financial advice
- learn how to select quality advisors
- search for new or replacement advisors
- view documentation for Registry advisors' credentials, ethics, and business practices.

The Registry matches us with anyone who uses its search and documentation services. We pay a fixed monthly fee to Paladin. Paladin uses membership fees to create visibility for the Registry on the Internet and in the media, develop relationships with third parties (Partners), and provide free public services to people like you.

### **BrightScope® , Inc.**

Bruce J. Berno is registered with BrightScope®, Inc ([www.brightscope.com](http://www.brightscope.com))

BrightScope®, Inc is a financial company that pulls data together to help individuals like you. Their data gathering compares corporate plan sponsors, asset managers, broker-dealers, and financial advisors.

You may use BrightScope®, Inc services to:

- compare financial advisors
- research how 401k & 403b plans compare
- ask questions online and have multiple advisors respond

From their website, you may contact an advisor directly. We pay a fixed monthly fee to BrightScope®, Inc. BrightScope®, Inc uses membership fees to conduct their research and create visibility on Internet and in the media. BrightScope®, Inc is a free public service to people like you.

### **Fee-Only Network**

Bruce J. Berno is registered with Fee-Only Network ([www.feeonlynetwork.com](http://www.feeonlynetwork.com))  
Fee-Only Network is partnered with the National Association of Personal Financial Advisors (NAPFA). It is a database of Fee-Only advisors. You may use Fee-Only Network services to:

- find fee-only advisors in your area
- learn how to evaluate advisors
- ask questions online and have multiple advisors respond

We pay an annual fee to have Bruce's name registered with Fee-Only Network. This is a free resource to the public. Fee-Only Network uses the registration fees to promote the NAPFA member Fee-Only advisor and to help educate the public on the benefits of a Fee-Only advisor.

### **Referrals Out**

We will refer you to an outside professional (i.e. an accountant or estate planning attorney), if needed. We are not compensated for any referrals.

### **Other Compensation**

BFMI does not receive compensation from any other sources other than the fee charged to each client. This practice is done to avoid any potential conflicts of interest.

## **Item 15: Custody**

### **Account Statements**

To utilize our Total Portfolio Approach, you may provide us with website access, including website address, user name and password and answers to security questions to access investment accounts other than at TD Ameritrade. This data will be entered into By All Accounts. This is an account aggregation program that downloads prices and transactions daily. Examples include employer retirement plans, deferred compensation plans, insurance company annuity contracts, Section 529 College Savings Plan accounts and employer stock option plan accounts. This online access may give us the functionality to take a withdrawal from the account. In these cases, this constitutes custody of assets and we are held to having an annual surprise audit from an outside CPA firm to review our procedures. The online capabilities will also allow us to research funds and place trades for rebalancing. We feel this access is extremely beneficial in the services that we are able to provide to you.

Any withdrawal authority at TD Ameritrade shall be limited to the deduction of BFMI management fees in accordance with the firm's policy.

You will receive monthly statements from us and TD Ameritrade. You may also receive statements from other custodians that handle the "outside" accounts which you have given us access. We encourage you to review statements or online account summaries with the monthly reports you receive from us. Bring to our attention any discrepancies you may find between the two reports.

## **Item 16: Investment Discretion**

### **Discretionary Authority for Trading**

We will request to have discretionary authority for the sole purpose of placing trades on your behalf. Each new account application contains a Limited Power of Attorney that will require your initials to signify your approval. This will not give us authority to withdraw funds or securities or allow us to take custody with the exception of deducting our fees from the accounts that you have approved.

We will also request to have discretionary authority to place trades for you without direct approval from you. This discretionary authority will be documented in your Client Letter of Agreement and each account will be marked in our portfolio software system. Our goal is to keep your portfolio rebalancing as efficient and effortless for you. We will then manage your portfolio in the context of the Initial Portfolio Proposal and Investment Policy Statement which you have approved. Any limitations will be documented in the Investment Policy Statement.

## **Item 17: Voting Client Securities**

### **Proxy Votes**

You will keep all of the proxy voting authority. Proxy voting and solicitation materials will be delivered to you directly from either the custodian or transfer agent. You may contact us to discuss any questions about a particular solicitation.

## **Item 18: Financial Information**

### **Financial Condition**

BFMI has no financial conditions that would impair our ability to meet any contractual commitments to you.

## **Item 19: Requirements**

### **Requirements for State-Registered Advisers**

Not Applicable

BFMI is not required to be a state registered adviser

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

**Bruce J. Berno**  
**Certified Financial Planner™**

Berno Financial Management, Inc.  
7454 Jager Court  
Cincinnati, OH 45230  
(513) 474-9191  
Fax (513) 474-2889  
[www.bernofinmgt.com](http://www.bernofinmgt.com)  
[bruce@bernofinmgt.com](mailto:bruce@bernofinmgt.com)

**Updated as of: December 31, 2013**

This brochure supplement provides information about Bruce Berno that supplements the Berno Financial Management, Inc. brochure. Please contact Bruce if you have any questions about the contents of this supplement.

### **Education and Business Standards**

BFMI requires that any Advisory Representative have relevant experience in Investment Management, investing and/or financial planning. In considering candidates, we prefer a college degree and industry experience and give more consideration to those with advanced industry designations (CFP, CFA, CIC, etc.).

## **Educational Background and Business Experience**

**Bruce J. Berno, CFP®**

**President, Client Service Director and Compliance Officer**

Year of Birth: 1960

*Examinations and Professional Designations:*

Designations: Certified Financial Planner™

NAPFA Registered Financial Advisor

*Post-Secondary Education:*

Miami University, Oxford, OH 1978-1982

B.S. Business Administration

Xavier University, Cincinnati, OH 1984-1985

MBA Master of Business Administration

*Business:*

Berno Financial Management, Inc., President and Compliance Officer

Registered Investment Adviser 1993 - Present

### **Disciplinary Information:**

None

### **Other Business Activities**

None

### **Additional Compensation**

None

### **Supervision**

Bruce offers clients with comprehensive personal financial planning advice including cash flow, insurance, employee benefit plans, investment management, education planning, retirement planning, charitable giving and estate planning.

We work on a team basis and all clients work with two advisors, either Bruce and Donna or Bruce and Kathy, further supported by Tricia Smith.

Your investment portfolio is monitored through your quarterly review or as changes are needed due to deposits or withdrawals. Donna or Kathy will review your portfolio and Investment Policy Statement and reference notes kept in our Customer Relationship Management software, keeping your goals in the forefront (i.e. if you are holding a high cash balance for an upcoming car purchase, our notes will detail this and will be taken into consideration as part of the portfolio review) and make recommendations, as needed. Bruce reviews these recommendations and will confirm or edit the recommended changes and give the changes to Tricia for processing.

## Designation Qualifications

### **CFP®**

In 1992, when Bruce received his CFP® designation, he was required to complete the 4 “E”s before becoming a Certified Financial Planner™.

**Education** – Bruce was required to complete an advanced college-level course of study addressing the CFP board’s financial planning subject areas including insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning and estate planning.

**Exam** – Bruce was required to pass six individual subject examinations; Insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning and estate planning.

**Experience** – Bruce needed to have at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year).

**Ethics** – Bruce was required to have 2 hours of Ethics training.

To maintain his CFP® designation, Bruce is required to obtain a minimum of 30 hours every 2 years of continuing education. Two of those hours must be ethics training.

### **NAPFA Registered Financial Advisor**

Bruce became a NAPFA Registered Financial Advisor in 1996 and was required to meet the following standards in his business practice to be accepted as a NAPFA member.

- 1. Fiduciary Standard:** To exercise his best efforts to act in good faith and the best interests his clients including:
  - Always act in good faith and with candor.
  - Be proactive in disclosing any conflicts of interest that may impact a client.
  - Not accept any referral fees or compensation contingent upon the purchase or sale of a financial product.
- 2. Give Advice across multiple disciplines:** As a NAPFA-Registered Financial Advisor, Bruce is required to bring all of his training together and apply the separate disciplines comprising personal finance—income tax, financial position and cash flow, retirement preparation, estate planning, investments, and risk management to offer you comprehensive service. His services must include more than advice on your marketable financial assets.
- 3. Education:** Bruce was required to have a Bachelor’s degree, in any discipline from an accredited institution.
- 4. Peer Review:** Bruce was required to submit a written Comprehensive Financial Plan for review and approval
  - a. The plan needed to show Bruce’s approach to advisory services that included: collection and assessment of all relevant data from a client, identification of client goals, identification of client financial problems, provision of recommendations, assistance in implementation of the recommendations, and the offer of periodic review.

- b. The plan needed to address all of the following factors: income tax, cash flow, retirement planning, estate planning, investments, risk management, and any special needs planning.
- 5. **Experience:** He needed to have had at least 36 months of experience being primarily engaged in the provision of comprehensive financial planning services.
- 6. **Compensation by Fee Only:** to be a NAPFA Registered Financial Planner, Bruce may not accept any other form of payment other than the fees that he receives directly from you and his other clients.

To maintain his member status with NAPFA, Bruce is required to obtain 60 hours of continuing education every 2 years. 58 hours may be in any CORE or ELECTIVE area with no minimum or maximum. The CORE areas include: Insurance & Risk Management, Investments, Income Tax Planning, Retirement Planning & Employee Benefits, Estate Planning, and Communications & Counseling. Bruce must obtain a minimum of 2 hours in Ethics of Financial Planning.

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

**Donna L. Ellis**  
**Certified Financial Planner™**

Berno Financial Management, Inc.  
7454 Jager Court  
Cincinnati, OH 45230  
(513) 474-9191  
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[bruce@bernofinmgt.com](mailto:bruce@bernofinmgt.com)

**Updated as of: December 31, 2013**

This brochure supplement provides information about Donna Ellis that supplements the Berno Financial Management, Inc. brochure. Please contact Bruce Berno, if you have any questions about the contents of this supplement.

**Education and Business Standards**

BFMI requires that any Advisory Representative have relevant experience in Investment Management, investing and/or financial planning. In considering candidates, we prefer a college degree and industry experience and give more consideration to those with advanced industry designations (CFP, CFA, CIC, etc.).



## **Educational Background and Business Experience**

**Donna L. Ellis, CFP®**

**Client Service Advisor** Year of Birth: 1970

*Examinations and Professional Designations:*

Designations: Certified Financial Planner™

NAPFA Registered Financial Advisor

National Social Security Advisor

*Post-Secondary Education:*

Michigan State University, E. Lansing, MI 1988-1992

B.S. Public Affairs Management

*Business:*

Berno Financial Management, Inc., Client Service Advisor

Registered Investment Adviser 1997 – Present

### **Disciplinary Information:**

None

### **Other Business Activities**

None

### **Additional Compensation**

None

### **Supervision**

Donna offers clients with comprehensive personal financial planning advice including cash flow, insurance, employee benefit plans, investment management, education planning, retirement planning, charitable giving, estate planning and social security.

We work on a team basis and all clients work with two advisors, either Bruce and Donna or Bruce and Kathy, further supported by Tricia Smith.

Your investment portfolio is monitored through your quarterly review or as change is needed due to deposits or withdrawals. Donna or Kathy will review your portfolio and Investment Policy Statement and reference notes kept in our Customer Relationship Management software, keeping your goals in the forefront (i.e. if you are holding a high cash balance for an upcoming car purchase, our notes will detail this and will be taken into consideration as part of the portfolio review) and make recommendations, as needed. Bruce reviews these recommendations and will confirm or edit the recommended changes and give the changes to Tricia for processing.

## Designation Qualifications

### CFP®

In 2005, when Donna received her CFP® designation, she was required to complete the 4 “E”s before becoming a Certified Financial Planner™.

**Education** – Donna was required to complete an advanced college-level course of study addressing the CFP board’s financial planning subject areas including insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning and estate planning.

**Exam** – Donna was required to pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances.

**Experience** – Donna needed to have at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year).

**Ethics** – Donna was required to have 2 hours of Ethics training.

To maintain her CFP® designation, Donna is required to obtain a minimum of 30 hours every 2 years of continuing education. Two of those hours must be ethics training.

### NAPFA Registered Financial Advisor

Donna became a NAPFA Registered Financial Advisor in 2013 and was required to meet the following standards in her business practice to be accepted as a NAPFA member.

1. **Fiduciary Standard:** To exercise her best efforts to act in good faith and the best interests her clients including:
  - Always act in good faith and with candor.
  - Be proactive in disclosing any conflicts of interest that may impact a client.
  - Not accept any referral fees or compensation contingent upon the purchase or sale of a financial product.
2. **Give Advice across multiple disciplines:** As a NAPFA-Registered Financial Advisor, Donna is required to bring all of her training together and apply the separate disciplines comprising personal finance—income tax, financial position and cash flow, retirement preparation, estate planning, investments, and risk management to offer you comprehensive service. Her services must include more than advice on your marketable financial assets.
3. **Education:** Donna was required to have a Bachelor’s degree, in any discipline from an accredited institution.
4. **Peer Review:** Donna was required to submit a written Comprehensive Financial Plan for review and approval
  - c. The plan needed to show Donna’s approach to advisory services that included: collection and assessment of all relevant data from a client, identification of client goals, identification of client financial problems, provision of recommendations, assistance in implementation of the recommendations, and the offer of periodic review.

- d. The plan needed to address all of the following factors: income tax, cash flow, retirement planning, estate planning, investments, risk management, and any special needs planning.
- 5. **Experience:** She needed to have had at least 36 months of experience being primarily engaged in the provision of comprehensive financial planning services.
- 6. **Compensation by Fee Only:** to be a NAPFA Registered Financial Planner, Donna may not accept any other form of payment other than the fees that she receives directly from you and other clients.

To maintain her member status with NAPFA, Donna is required to obtain 60 hours of continuing education every 2 years. 32 hours must include a minimum of five credit hours in each of the following core areas: Insurance & Risk Management, Investments, Income Tax Planning, Retirement Planning & Employee Benefits, Estate Planning, and Communications & Counseling; and a minimum of 2 hours in Ethics of Financial Planning. The 28 additional hours may be earned in either seven elective or five core areas.

#### **National Social Security Advisor**

Donna received her NSSA certification in 2013. She was required to attend a 2 day educational program that covered all aspects of Social Security, including Medicare. After the completion of the educational program, Donna was required to pass a comprehensive exam affirming her understanding of Social Security.

To maintain her certification, Donna is required to obtain 16 hours of continuing education every 2 years. The 16 hours must be by seminar programs or webinars focused on different aspects of the Social Security system.

## **Brochure Supplement**

(Part 2B of Form ADV)

**Kathy L. Blain**  
**Certified Financial Planner™**

Berno Financial Management, Inc.  
7454 Jager Court  
Cincinnati, OH 45230  
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**Updated as of: December 31, 2013**

This brochure supplement provides information about Kathy Blain that supplements the Bernardo Financial Management, Inc. brochure. Please contact Bruce Bernardo, if you have any questions about the contents of this supplement.

**Education and Business Standards**

BFMI requires that any Advisory Representative have relevant experience in Investment Management, investing and/or financial planning. In considering candidates, we prefer a college degree and industry experience and give more consideration to those with advanced industry designations (CFP, CFA, CIC, etc.).

## **Educational Background and Business Experience**

**Kathy L. Blain, CFP®**

**Client Service Associate** Year of Birth: 1962

*Examinations and Professional Designations:*

Designations: Certified Financial Planner™

NAPFA Registered Financial Advisor

National Social Security Advisor

*Post-Secondary Education:*

Xavier University, Cincinnati, OH 1980-1983

B.S. Business Administration

Xavier University, Cincinnati, OH 1983-1985

MBA Master of Business Administration

*Business:*

Berno Financial Management, Inc., Client Service Advisor

Registered Investment Adviser 2010 – Present

### **Disciplinary Information:**

None

### **Other Business Activities**

None

### **Additional Compensation**

None

### **Supervision**

Kathy offers clients with comprehensive personal financial planning advice including cash flow, insurance, employee benefit plans, investment management, education planning, retirement planning, charitable giving, estate planning and social security.

We work on a team basis and all clients work with two advisors, either Bruce and Donna or Bruce and Kathy, further supported by Tricia Smith.

Your investment portfolio is monitored through your quarterly review or as change is needed due to deposits or withdrawals. Donna or Kathy will review your portfolio and Investment Policy Statement and reference notes kept in our Customer Relationship Management software, keeping your goals in the forefront (i.e. if you are holding a high cash balance for an upcoming car purchase, our notes will detail this and will be taken into consideration as part of the portfolio review) and make recommendations, as needed. Bruce reviews these recommendations and will confirm or edit the recommended changes and give the changes to Tricia for processing.

## Designation Qualifications

### **CFP®**

In 2012, when Kathy received her CFP® designation, she was required to complete the 4 “E”s before becoming a Certified Financial Planner™.

**Education** – Kathy was required to complete an advanced college-level course of study addressing the CFP board’s financial planning subject areas including insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning and estate planning.

**Exam** – Kathy was required to pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances.

**Experience** – Kathy needed to have at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year).

**Ethics** – Kathy was required to have 2 hours of Ethics training.

To maintain her CFP® designation, Kathy is required to obtain a minimum of 30 hours every 2 years of continuing education. Two of those hours must be ethics training.

### **NAPFA Registered Financial Advisor**

Kathy became a NAPFA Registered Financial Advisor in 2013 and was required to meet the following standards in her business practice to be accepted as a NAPFA member.

1. **Fiduciary Standard:** To exercise her best efforts to act in good faith and the best interests her clients including:
  - Always act in good faith and with candor.
  - Be proactive in disclosing any conflicts of interest that may impact a client.
  - Not accept any referral fees or compensation contingent upon the purchase or sale of a financial product.
2. **Give Advice across multiple disciplines:** As a NAPFA-Registered Financial Advisor, Kathy is required to bring all of her training together and apply the separate disciplines comprising personal finance—income tax, financial position and cash flow, retirement preparation, estate planning, investments, and risk management to offer you comprehensive service. Her services must include more than advice on your marketable financial assets.
3. **Education:** Kathy was required to have a Bachelor’s degree, in any discipline from an accredited institution.
4. **Peer Review:** Kathy was required to submit a written Comprehensive Financial Plan for review and approval
  - e. The plan needed to show Kathy’s approach to advisory services that included: collection and assessment of all relevant data from a client, identification of client goals, identification of client financial problems, provision of recommendations, assistance in implementation of the recommendations, and the offer of periodic review.

- f. The plan needed to address all of the following factors: income tax, cash flow, retirement planning, estate planning, investments, risk management, and any special needs planning.
- 5. **Experience:** She needed to have had at least 36 months of experience being primarily engaged in the provision of comprehensive financial planning services.
- 6. **Compensation by Fee Only:** to be a NAPFA Registered Financial Planner, Kathy may not accept any other form of payment other than the fees that she receives directly from you and other clients.

To maintain her member status with NAPFA, Kathy is required to obtain 60 hours of continuing education every 2 years. 32 hours must include a minimum of five credit hours in each of the following core areas: Insurance & Risk Management, Investments, Income Tax Planning, Retirement Planning & Employee Benefits, Estate Planning, and Communications & Counseling; and a minimum of 2 hours in Ethics of Financial Planning. The 28 additional hours may be earned in either seven elective or five core areas.

#### **National Social Security Advisor**

Kathy received her NSSA certification in 2013. She was required to attend a 2 day educational program that covered all aspects of Social Security, including Medicare. After the completion of the educational program, Kathy was required to pass a comprehensive exam affirming her understanding of Social Security.

To maintain her certification, Kathy is required to obtain 16 hours of continuing education every 2 years. The 16 hours must be by seminar programs or webinars focused on different aspects of the Social Security system.

## **Brochure Supplement**

(Part 2B of Form ADV)

**Patricia M. Smith**  
**Registered Paraplanner™**

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**Updated as of: December 31, 2012**

This brochure supplement provides information about Patricia Smith (Tricia) that supplements the Bernardo Financial Management, Inc. brochure. Please contact Bruce Bernardo, if you have any questions about the contents of this supplement.

**Education and Business Standards**

BFMI requires that any Advisory Representative have relevant experience in Investment Management, investing and/or financial planning. In considering candidates, we prefer a college degree and industry experience and give more consideration to those with advanced industry designations (CFP, CFA, CIC, etc.).



## **Educational Background and Business Experience**

**Patricia M. Smith, RP®**

**Client Service Assistant**      Year of Birth: 1976

*Examinations and Professional Designations:*

Registered Paraplanner<sup>SM</sup>

*Post-Secondary Education:*

Xavier University, Cincinnati, OH    1998-2000

B.A. Liberal Arts

Adrian College, Adrian, MI    1994-1996

*Business:*

Berno Financial Management, Inc., Client Service Assistant

Client Service Assistant    2011 – Present

## **Disciplinary Information:**

None

## **Other Business Activities**

None

## **Additional Compensation**

None

## **Supervision**

Tricia is responsible for daily administration and operations management for client services. She prepares all brokerage account forms. After investment reviews have been completed by either Donna or Kathy and Bruce, Tricia will prepare any trade orders or paperwork and implement the recommended changes on your behalf. She gathers data for personal financial planning services and annual updates. She prepares monthly, quarterly and annual investment reports and personal financial planning reports. She monitors the return and processing of all data to keep your personal goals on track.

## **Designation Qualifications**

**RP®**

In 2010, needed to complete the following to obtain RP® designation:

Education – Tricia needed to complete the Foundations in Financial Planning Professional Education Program<sup>SM</sup> which covers the:

- The Financial Planning Process
- Financial Statements & Cash Flow Management
- The Time Value of Money
- Investment Principles & Mutual Funds
- Equities & Debt Instruments
- Tax Planning
- Retirement Planning
- Introduction to Insurance
- Life & Health Insurance
- Estate Planning

Exam – Tricia needed to pass a multiple-choice exam that was offered electronically.

Experience – She needed to have at least 3 months experience in a financial services

industry and demonstrate adequate communication skills, familiarity one type of Financial Planning software and the ability to gather and process data. She needed to exhibit the knowledge and skills necessary to construct personal financial statements, the ability to review and analyze information to identify basic strengths and weaknesses in a client's financial situation.

Ethics – Tricia was required to sign and comply with the code of Ethics, which includes agreeing to abide by the Standards of professional conduct and Terms and Conditions.

To maintain her RP® designation, Tricia is required to obtain a minimum of 16 hours every 2 years of continuing education.