



# DiBENEDETTO & ASSOCIATES LTD

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An Independent Investment Adviser

## Form ADV part 2A

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[www.trustdnb.com](http://www.trustdnb.com)

Dated: 12/23/2014

This brochure provides information about the qualifications and business practices of DiBenedetto & Associates Ltd. If you have any questions about the contents of this brochure, please contact us at 815-654-8850 or [alex@trustdnb.com](mailto:alex@trustdnb.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.

Additional information about DiBenedetto & Associates Ltd also is available on the **SEC's website** at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration does not imply a certain level of skill or training.

**Material Changes**

**We changed our principal address to 4920 Forest Hills Road Loves Park IL 61111. Our email and phone contact information has not changed.**

**We encourage our clients and prospective clients to read the entire document.**

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## **Advisory Business**

DiBenedetto & Associates Ltd is an investment advisor and insurance broker. The firm was established in 1998(16 years). DiBenedetto & Associates Ltd is a private corporation. Charles DiBenedetto is the majority owner and President. Jeff DiBenedetto is Operations Manager, and minority owner. Alex DiBenedetto is Chief Compliance Officer and minority owner.

DiBenedetto and Associates provides investment advice and supervisory services for client investments for example:

- Mutual funds
- Individual stocks
- Individual bonds
- Cash investments
- Fixed life insurance products
- Financial Planning

DiBenedetto and Associates Ltd recommend allocations, and securities. The advisor buys and sells those securities for their client using discretionary authority granted by those clients. As of 12/23/2014, DiBenedetto & Associates Ltd has \$158,629,663.00 under management on a discretionary basis. We have experience with a wide variety of securities. We advise our clients to invest in mutual funds, individual bonds, CDs and potentially fixed life insurance products. We assist clients in exercising stock options that have been granted by their employers. We advise clients on purchasing real estate investment trust(REITs) and assist with that purchase. We provide advice on insurance products like life insurance, fixed annuities, disability, long-term care insurance and health insurance. DiBenedetto & Associates Ltd also provide advice on non-investment related matters. We are experienced in car, home, and property purchases and give advice and assist on those transactions at the request of our clients.

DiBenedetto and Associates Ltd provide supervisory services for our clients. We require most of our clients to open accounts and deposit the assets that we are to manage at a qualified custodian of our choice. The current custodian is the Institutional division of Charles Schwab and Co. DiBenedetto & Associates Ltd has a master account with Schwab and our clients have individual sub accounts. We tailor our investment advice to the individual needs of the clients. Clients may impose restrictions on investing in certain securities or types of securities. We do not use model portfolios. We look to be a “financial quarterback”. We work closely with the other financial professionals associated with our clients, like attorneys, accountants and bankers. We maintain strict confidentiality and a trusting relationship.

## **Fees and Compensation**

DiBenedetto & Associates Ltd is compensated (paid) for its services by a management fee. We charge a fee based on the amount of the assets that we manage for a client or a fixed flat fee. The fee is a percentage of the amount of assets that we manage for a client. We combine amounts in different accounts for a client or household. Our basic rates for advisor fees are on a scale based on assets under management:

0-\$499,999.99	1.25% annual rate
\$500,000.00-\$999,999	1% annual rate
\$1,000,000.00 and up	a negotiated rate less than 1%

*The above rates are negotiable.*

The fee rates listed above are annual rates. We charge our fee quarterly. What that means is that on the last day of a quarter (3/31; 6/30; 9/30; 12/31), we take the value of your account as supplied by our custodian and multiply that amount by *one quarter of the annual rate for the account*. That is the amount that you are charged for the services we provided during that period of time. A simple example:

John is a client with a taxable account and an IRA that total \$500,000.00. His rate is 1%. His management fee on 3/31 is \$1,250.00.  $500,000.00 \times .0025 = 1250.00$

If a client terminates their relationship with us in the middle of a billing period, they will be charged for the amount of time that we still managed the account during that period. To extend the example above:

John decides to hire another manager and notifies the firm that he will be moving his money as of 4/30. On 4/30 his account is still \$500,000.00 and the base fee is still \$1,250.00. 1250 divided by 91 days equals 13.7363. That would be the daily rate.  $13.7363 \times 30(\text{days}) = 412.09$ . That would be the fee we would charge.

What are considered assets under management? Assets under management are any security or cash that we supervise or give advice on. We exclude items from assets under management if our client has asked us to not manage that particular security or any security that we were paid a commission. An example:

John has several accounts with DiBenedetto and Associates Ltd total amount equaling \$500,000.00. In one account he has 100 shares of Apple Inc. that were a gift from his father and he intends to give to his son and will not ever sell. John asks that the 100 shares of Apple Inc. be excluded from the assets under management. John also purchased a share of a REIT that DiBenedetto & Associates was paid a commission for

selling. On 6/30 the 100 shares of Apple was worth \$35,000.00 and the REIT was worth \$100,000.00.  $\$500,00.00 - \$35,000.00 - \$100,000.00 = \$365,000.00$ . John's assets under management for his fee calculation would be \$365,000.00 on 6/30.

Another way that DiBenedetto & Associates is compensated is through a flat fee. Under this method, instead of using a percentage of the assets under management, the quarterly fee is a flat rate negotiated between the advisor and the client. This fee has no relation to the amount of investments that we manage for a client. The fee is simply an agreed-to amount laid out in the management agreement.

DiBenedetto & Associates Ltd is also an insurance broker. If we sell an insurance product to a client, we are compensated through a commission. Any security that we have been paid a commission for will not be included in assets under management calculations.

How do we collect the management fee? There are two methods that we use:

- The fee is directly debited from an account the client chooses that we manage.
- We send an invoice and the client pays by check.

The client chooses which method to be used for the account. All fees are due at the time of invoicing and will be considered late if not received within 30 calendar days.

*The client is responsible for verifying the accuracy of the fee calculation and the bill amount. The custodian, Charles Schwab & Co. is not responsible for and will not check for the accuracy of the bill.*

If a client discovers an error in the bill amount, they are responsible for bringing it to our attention. Please call and speak with Alex DiBenedetto at 815-654-8850 about the error. The error will be corrected in a manner convenient for the advisor and the client.

The client is responsible for all fees related to their investment account. These fees may include:

- Margin fees
- Transaction fees
- Wire transfer fees
- Taxes
- Check printing fees
- Asset transfer fees

DiBenedetto & Associates Ltd is not responsible for any taxable consequences from your investment activity.

The advisor is not compensated in any other way than the management fee, or any commission paid for a life insurance product. Clients invested in mutual funds are responsible for any expenses related to those mutual funds. Mutual funds charge a management fee that is part of the net asset value (the price) of the mutual fund. We try to use no-load or load-waived mutual funds. We try to avoid funds that charge a 12b-1 fee. A 12b-1 fee is a charge that mutual funds charge for "marketing and distribution." In some cases that fee is paid to a broker who sells the fund.

**DiBenedetto & Associates Ltd does not receive any additional compensation from mutual funds for buying those funds for our clients. We are compensated only through our management fee.**

### **Performance Based Fees**

DiBenedetto & Associates Ltd does not use any performance-based fees.

### **Types of Clients and Requirements for Maintaining Accounts**

DiBenedetto & Associates Ltd offers investment advice to individuals. We advise to family trusts, charitable foundations, business entities and profit sharing plans and pension funds. We ask for an account minimum of \$500,000.00 but we make exceptions. We have a right to decide whom we accept or deny as a client. Our clients are all people with a long investing timeline, primarily investing for their retirement. Our clients are not short-term traders. Clients of DiBenedetto & Associates Ltd are required to sign a management agreement. This is a contract describing the terms of our business agreement, terms for termination of the contract and the management fee that will be charged. Clients may terminate the contract at any time with 30 days written notice.

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

DiBenedetto & Associates Ltd looks for clients with a long investing timeline. We advise our clients to use a long-term buy and hold strategy. We create a custom asset allocation for each client that is diversified across many asset classes. We look to create investment gain by price appreciation over time. We select investments that will grow in value over time. We do not generate investment returns through short-term trading. Reviews occur over regular periods, usually a three-month period (a quarter).

We select an asset allocation for each client. This allocation will be diversified and based off the information and goals received from the client. We seek to spread your assets over a variety of types of investments:

- Large US company stocks
- Mid-sized US company stocks
- Small US company stocks
- International stocks
- Bonds
- Certificates of deposit
- Indirect ownership of real estate through REITs or mutual funds that own companies that invest in real estate
- Indirect ownership in closed-end mutual funds through mutual funds
- Indirect ownership of commodities through mutual funds
- Indirect ownership of Hedge funds through a mutual fund.

All the investments we recommend are registered and trade on major exchanges. Our investment philosophy involves a mix of investments that are not exactly the same, so that when one type of investment is perhaps losing value, the others that you own will be gaining value and balance out to a break even or continue to gain value in the total of your investments. We tactically weight different asset classes to achieve investment returns.

We primarily invest in mutual funds, individual bonds and CD's. We use actively managed funds. Actively managed funds have a manager or managers that select, buy and sell securities according to a stated investment policy. Passively managed funds mimic an existing benchmark or index like the S & P 500. Passive funds by definition have to match the index that they are cloning exactly with no deviation. We believe that it is possible for capable managers to gain more value than the market in general. To research the mutual funds, we begin with a screen. We screen the funds for several factors:

- Investment return
- Risk
- Size of fund
- Manager tenure
- Expenses, including expenses and sales charges
- Availability of purchase through our custodian and transaction fees

Once we have narrowed our search, we contact the mutual fund company and investigate directly to verify the information from third-party sources. We make our final selections and add them to our list. We periodically review our funds. The process for selection of individual bonds and CD's begins with a screen with our custodian for interest rates of the securities in their inventory. From there we investigate the choices with third-party research provide by credit rating services, like Standard & Poors. This information comes from our custodian and is verified through sources on the Internet. We hold bonds and CD's to maturity unless otherwise directed by the client. We are investing for the income not to capture gain through trading.

Investing in mutual funds carries several risks. There is a lack of control. There is a lack of transparency. You don't know exactly what the fund is invested in at any time. We seek to address this risk through monitoring the funds. We compare the performance of mutual funds versus their peers. We also compare performance versus our expectations for that fund.

Investing in bonds and CD's involves credit risk. That is the risk that the entity issuing the bond will stop paying the interest and principal amount. We address this by buying debt from issuers with high credit ratings and monitoring those issuers.

The risk that you take from investing with a diversified asset allocation is that you will miss out on potentially maximizing your gain if you are focused in one area that is making money.

The risk of investing with a long-term buy and hold strategy is that you are accepting the risk that there will be periods where your investments may be less valuable than in other periods of time or even when you originally invested them. We try to mitigate this risk through communication with our clients. If you have needs for cash that you were intending to come from your investment, you need to relate that to DiBenedetto & Associates. We can plan to set that money aside so it is ready for use and is not at risk to the market.

**Investing involves risk, including the risk of losing all the money you invest. By choosing to invest, a client is accepting that risk. Carefully consider your tolerance for risk before investing.**

### **Disciplinary Information**

DiBenedetto & Associates Ltd has no past, current or pending legal or disciplinary events.

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

As well as being an investment advisory company, DiBenedetto & Associates Ltd is an independent life and health insurance broker. There is a potential conflict of interest because certain life insurance products have value and can be considered securities. Agents are paid for selling insurance products by commission. If those assets are included in "assets under management", the agent would essentially be paid many times for a product they already were compensated. We avoid that by making it the policy of DiBenedetto & Associates to remove any asset or security that we have been paid a commission from assets under management calculations. When we are figuring your management fees those items are excluded.

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

*DiBenedetto & Associates Ltd strives to be a trusted guide and confidant to our clients. To fulfill that role we are required to return their trust with a high level of integrity and honor. We will be fair and honest with our clients. We will safeguard any personal or financial information that we possess. We will not use any client information for personal or financial gain. If a client incurs a loss due to an error or from an illegal action by a member or the firm, we will try to make it right.*

A copy of our code of ethics, listed above, is available to any client or prospective client upon request at no charge to them.

We do not recommend to clients to buy or sell any investment in which DiBenedetto & Associates Ltd has a material financial interest.

The owners and employees of DiBenedetto & Associates do invest in the same or similar investments that are recommended to clients. We believe in our own strategy. There is a conflict of interest. We manage that conflict through our personal trading policies and procedures. For the mutual funds, the nature of the investment handles some of the conflict. Mutual funds are priced daily at the close of the financial markets and all trades take place at the same time. For securities where timing is a factor(individual stocks, bonds), the client always comes first. Details on the actual policies and procedures are available to clients or prospective clients on request. We do not recommend clients purchase investments the DiBenedetto & Associates has a material financial interest. This means that we do not ask our clients to purchase investments that the firm or individuals in the firm own. **For example, if DiBenedetto & Associates LTD was a publicly owned corporation, we would not recommend that clients purchase DiBenedetto stock or bonds.**

### **Brokerage Practices**

When selecting a broker to execute client trades our basic criteria are:

- Cost to the client
- Cost to the adviser
- Quality of custody
- Quality of brokerage

The adviser tries to get the lowest cost reasonably available for client trades. The factors that affect the cost of trades are primarily volume and to a degree the overall amount of assets that an account has. DiBenedetto & Associates Ltd recommends more mutual funds than individual stocks and bonds. Our volume of mutual fund trades is significantly higher than any other kind of security. The rates charged for mutual fund trades are lower than the other types. The funds that DiBenedetto & Associates Ltd recommends that have a transaction fee have a lower charge that has been negotiated. We can and have asked for exceptions and breaks on stock trades. The fees that are charged to client accounts are

reasonable and are compared to fees that would be charged at other custodians of a similar size.

Costs to the adviser are a consideration. Any fees or cost to the adviser are considered into the pricing for their services. High costs mean an increased fee to the client. There are no costs charged to DiBenedetto & Associate Ltd by Charles Schwab & Co. Quality of custody is important. This refers to several factors:

- Safety of assets
- Access to assets
- Quality of account servicing
- Customer Service available to clients

Charles Schwab & Company is a large qualified custodian. It is in fact the leader in the independent investment adviser custodian industry. It is a mature stable corporation. It trades on all the major stock exchanges.

DiBenedetto & Associates Ltd requires all clients to establish an account with the Institutional division of Charles Schwab & Co. to maintain custody of client assets. Schwab is a registered broker-dealer and qualified custodian.

DiBenedetto & Associates Ltd is independently owned and operated and not affiliated with Schwab. Schwab grants clients of DiBenedetto & Associates access to their institutional trading and custody services, normally unavailable to retail investors. These services Schwab makes available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's assets are maintained in accounts at Schwab Institutional. Advisors do not have to commit any specific amount of business to Schwab (assets in custody or in trading). In other words, we gain access to the institutional services of Schwab for free as long as we maintain at least \$10 million and we do not have to commit to any more assets or any amount of brokerage (trading). Schwab's services include:

- Brokerage
- Custody
- Research
- Access to mutual funds and other investments that are only available to institutional clients or would require significantly higher minimum initial investment.

DiBenedetto & Associates Ltd does not have a soft dollar arrangement with Charles Schwab & Co. Schwab does make available to DiBenedetto & Associates other products and services that benefit the advisor but may not directly benefit the client's accounts. Some of these other products and services assist the advisor in managing and administering client accounts. This includes software to:

- Access and service client account data
- Process and track trades
- Provide research, pricing information, and market data
- Process and track the payment of fees to DiBenedetto & Associates from client accounts
- Provide recordkeeping
- Provide client reporting

Many of these services and software products may be used to service all or a substantial number of DiBenedetto & Associated client accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to DiBenedetto & Associates Ltd other services intended to help them manage and develop its business. These services may include:

- Consulting
- Educational publications
- Educational conferences

Schwab may make available, arrange and/or pay for these types of services to DiBenedetto & Associates from a third party. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third party providing these services to the advisor. Schwab gives free in-house and third party research to all of its' account holders both institutional and retail. We currently receive full discounts on these Schwab products:

- Schwab educational conferences, including the attendance fee for their national conference Impact for one person of our firm
- In 2013 we received a full tuition discount for a Schwab "Solutions" educational conference for training on the PortfolioCenter program.
- PortfolioCenter, portfolio management software for 2014

We receive discounts on these third party services arranged through Schwab. These discounts are available to all investment advisors that custody at Schwab:

- Reduced shipping fees through UPS

All of these services are used to benefit the accounts at Schwab. DiBenedetto & Associates receives a benefit from these services because we do not have to produce or pay for the research, product or services. DiBenedetto & Associates may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on the client's interest in receiving the *most* favorable execution. DiBenedetto & Associates works to act as a fiduciary and act in its clients best interests. Our requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefits we receive and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab. This may create a potential conflict of interest.

## **Review of Accounts**

DiBenedetto & Associates Ltd regularly reviews the accounts we manage. Account reviews are conducted by Charles, Jeff or Alex DiBenedetto. The account reviews check for meeting any performance standards set by clients. Lacking those standards, we compare them to the relative standards that we see for investments. We generally review the client accounts quarterly, when we send out our reports and do the billing. We formally review the funds that we use in recommendations to clients once a year, but in practice we are watching the investments constantly. We are long-term investors but if there is a traumatic or catastrophic event that occurs we will discuss the effects that such an event might have on our investments and client accounts. The reports that clients receive from us aggregate all of the assets that we manage for a client. The reports show the year to date time period. Reviews and comments on specific client accounts are conducted verbally either in person, via email or via telephone.

## **Client Referrals and Other Compensation**

DiBenedetto & Associates Ltd finds new clients exclusively through referrals. We encourage clients to refer our firm to friends and family that they feel would benefit from a relationship with DiBenedetto & Associates.

We have one referral arrangement with a person who is not employed by DiBenedetto & Associates Ltd. We have an agreement with Dan Loescher and his accounting firm Loescher & Associates. DiBenedetto & Associates has agreed to share our management fee with Loescher on accounts that he refers to our business. The split is 65% to DiBenedetto and 35% to Loescher. This is disclosed to prospective clients through a referral agreement that is acknowledged and signed by the prospective client. The prospective client retains a copy of the referral agreement. We do not raise our fee for prospective clients under this arrangement. We split the fee that we would normally charge. For example:

Kate's IRA billing rate for a \$500,000 account is 1%. It is under the referral agreement with Loescher and Associates. The bill amount for the first quarter is \$500.00. The account is billed \$500.00. We then write a check for \$175.00(35% of \$500.00) and present that to Loescher and Associates, retaining \$325.00.

## **Custody**

Custody is defined as having direct control over client funds or investments. Because DiBenedetto & Associates Ltd has the ability to debit fees directly from client accounts, we are considered to have custody. The SEC has made a rule that because an investment advisor only has custody from the debiting of fees, that investment advisor does not have to submit to audits and present regular balance sheets to our clients.

**DiBenedetto and Associates Ltd does not accept client cash or securities.**

Transfers of securities and cash are completed in custodian-to-custodian transfers or by client-to-custodian transactions. DiBenedetto & Associates Ltd does not accept cash for payment of the management fees.

Client assets are held at a qualified custodian. Our current custodian is the Institutional Division of Charles Schwab & Co. DiBenedetto & Associates also has an investment adviser agreement with TIAA-CREF. We do not place new assets at TIAA-CREF, we registered with that custodian to manage client assets that were already in those accounts. TIAA-CREF is the custodian of those clients' employee retirement account. Clients receive monthly statements from the custodian. The client will receive separate statements from DiBenedetto & Associates.

**We strongly urge clients to compare the statements from the custodian with statements that they receive from DiBenedetto & Associates Ltd.**

Please bring any inaccuracies to our attention.

**Investment Discretion**

DiBenedetto & Associates Ltd has investment discretion over the accounts that are managed. This means that DiBenedetto & Associates has the ability to buy or sell securities in a client account. If a client wishes us to manage or advise for an account that DiBenedetto does not have discretionary power, the client will be responsible for executing any recommendations that we make for that account.

**The client is the sole owner of any account and the investments and cash in the account. We do not have pooled accounts. Client assets are held in individual accounts.**

**All securities and cash are registered in the name of the client, not the advisor.**

As part of the account agreement with the custodian, the client has the ability to give limited power of attorney to their investment advisor. The power of attorney is limited to granting the investment advisor the ability to:

1. Place trades in their name as if they were placing the trades (discretionary power).
2. Request the custodian to send a check to the client at their address of record, payable to the client. We may not request checks payable to third parties, the advisor, or initiate wire transfers. Those requests must come from the client.
3. Debit the advisor management fee directly from the account.
4. Vote proxies or other corporate actions for the securities owned in the account.

Each point is a separate privilege and the client may choose which powers to grant to the investment advisor. To clarify, DiBenedetto & Associates Ltd is registered with the custodian as an investment advisor. The client opens an account with the custodian. The client signs the limited power of attorney provisions of the account agreement, which names DiBenedetto & Associates Ltd as the investment advisor of the account and the client. That designation allows DiBenedetto & Associates Ltd to manage the account.

### **Voting Client Securities**

Most clients choose DiBenedetto & Associates Ltd to vote the proxy ballots and corporate actions from the securities that they own. For the proxies that we vote, our policy is to vote in reasonable manner that maintains the power of the clients and benefits the client (the investor) the most. If a client wishes to vote their own proxies, they will generally designate that fact at the time they sign their account agreement. If a client wishes to change their mind and vote their own proxies, they simply have to contact the custodian and change their designation. When proxies come out for a vote. The voting copy is sent to DiBenedetto & Associates Ltd and an informational copy is sent to the client. If a client wishes to vote a particular way for a particular security they own, please contact DiBenedetto & Associates up to two days prior to the deadline of voting. We maintain records of our voting in compliance with the recordkeeping rules. If a client wants to see how we voted on any proxy, please contact us and we will provide a copy at your request.

### **Financial Information**

DiBenedetto & Associates Ltd is not required to supply any financial information with this form.

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

DiBenedetto & Associates Ltd registers with the Securities and Exchange Commission. The majority of our clients are in Illinois, so we send a copy of our registration information, called a "notice filing" to the State of Illinois. The advisor also sends notice filings to Indiana and Texas.

### **Additional Contact Information**

Our office hours are Monday through Friday, 8AM to 4:30 PM. Meetings outside of office hours can be arranged by appointment. To reach us by email, send to [chuck@trustdnb.com](mailto:chuck@trustdnb.com), [jeff@trustdnb.com](mailto:jeff@trustdnb.com), [alex@trustdnb.com](mailto:alex@trustdnb.com), [char@trustdnb.com](mailto:char@trustdnb.com) or [kathy@trustdnb.com](mailto:kathy@trustdnb.com).