

**Item 1 – Cover Page**

# HAYES FINANCIAL, INC.

99 Almaden Blvd., Suite 730  
San Jose, California 95113

(408) 947-7321

April 18, 2019

<http://hfinancial.com/home/>

This Brochure provides information about the qualifications and business practices of Hayes Financial, Inc. If you have any questions about the contents of this Brochure, please contact us at (408) 947-7321 or [clare@hfinancial.com](mailto:clare@hfinancial.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Hayes Financial, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Hayes Financial, Inc. is 288733.

## **Item 2 – Material Changes**

There are no material changes in this brochure from our last annual updating amendment on 03/15/2018. Material changes relate to our policies, practices or conflicts of interests only.

We will ensure that all current clients receive a Summary of Material Changes to this and subsequent Brochures within 120 days of the close of our business's fiscal year. A Summary of Material Changes is also included with our Brochure on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Hayes Financial, Inc. is 288733. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Clare Raleigh, Compliance Officer of Hayes Financial, Inc. at (408) 947-7321 or [clare@hfinancial.com](mailto:clare@hfinancial.com). Our Brochure is provided free of charge.

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**Item 4 – Advisory Business**

- A** Hayes Financial, Inc. (“Hayes Financial” “we” or “us”) is a registered investment advisor located in San Jose, California and registered with the SEC since 2017. Hayes Financial’s owner is Zachary D. Hayes.
- B, C** Hayes Financial provides investment advisory and financial planning services. Hayes Financial’s investment advisory services are driven by and coordinated with each Client’s individual financial goals. We employ a 7-step investment process, ensuring that prior to investment of any client monies, a deep and thorough understanding is gained of each client’s entire financial picture. We discuss budget, income and withdraw expectations prior to the recommendation or deployment of portfolio strategies. After our team is confident in its understanding of the client’s circumstances, we recommend separate allocation strategies for qualified and non-qualified monies. These allocations are constructed using cash flow/withdraw expectations and then modern-portfolio theory and current economic expectations.
- C** The firm follows strict fiduciary standards, putting its Clients’ interests before its own and seeking to avoid conflicts of interest with its Clients. The firm helps Clients coordinate and prioritize their financial lives with all aspects of their life goals. Integrating investments across all individual retirement accounts, taxable accounts, and employee retirement accounts is crucial to the process. Client input and involvement are critical parts of the financial planning process and implementation of investment decisions. After Client assets are invested, the firm monitors their investments and provides advice related to ongoing financial and investment needs. The firm is objective, and always puts its Clients’ interests first.

Hayes Financial has discretionary authority over Client funds. Discretionary authority means that the firm has the authority to determine, without obtaining specific Client consent, the securities bought or sold and the amount of securities bought or sold. The only restrictions on the above discretionary authority are those set by the Client on a case by case basis. Discretionary authority allows the firm to act on behalf of the Client in most matters necessary or incidental to the handling of the account, including monitoring certain assets, without the Client’s prior approval. In limited circumstances, we manage Client funds on a non-discretionary basis.

Advice and services are tailored to the stated objectives of the Client(s). The firm discusses with the Client in detail critically important information, such as the Client’s risk tolerance, time horizon, and projected future needs, to formulate an investment policy. This policy guides the firm in objectively and suitably managing the Client’s account. A registered investment advisor representative of the firm will meet with Clients on an as needed basis to review portfolio performance, discuss current issues, and re-assess goals and plans.

See Item 8 for a more thorough description of our investment strategy.

We follow strict fiduciary standards as required by the SEC, putting our Clients' interests before our own and seeking to avoid conflicts of interest with our Clients. We are compensated only by our Clients. Nonetheless, conflicts of interest do exist between our interests and our Clients' interests. Thus, our Clients are not obligated to act on our recommendations.

- D** We may participate in a wrap-fee program.
- E** We manage \$184,208,690 of Client assets on a discretionary basis and \$3,823,653 of Client assets on a non-discretionary basis. We also provide advice and counsel on an additional \$4,838,215 in assets that do not qualify as Regulatory Assets under SEC rules. These amounts were calculated as of February 2019.

## **Item 5 – Fees and Compensation**

- A** Hayes Financial provides investment advisory and financial planning services to its Clients. Services may include the analysis of the Client's current portfolio, development of an investment policy statement, implementation of a recommended portfolio(s), and ongoing monitoring of the investment portfolio(s).

Hayes Financial also charges annual fees for managing Clients' portfolios. The fees charged generally vary between 1.0% and 1.25% of assets under management according to the amount of assets under management and the specific needs of the client. Hayes Financial has no set account minimum, but fees are generally not negotiable.

- B** We bill the Client quarterly in advance and concurrently send the Client an invoice itemizing the fee and send the custodian a notice of the amount of the fee to be deducted from the Client's account. Fees are paid directly to us from the account by the custodian upon our submission of an invoice to custodian. Payment of fees may result in the liquidation of Client's securities if there is insufficient cash in the account. The fee is based on the market value of the Client's account in the prior quarter. For billing purposes, the market value of assets under management in the Client's account are calculated as the average of three monthly averages across the quarter, which are taken at the end of each month within the quarter.

Market value means the value of all assets in the account (not adjusted by any margin debit). To determine value, securities and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale price on the principal market in which they are traded (or, if there shall be no sales on such date, then at the mean between the closing bid and asked prices on such date). Other readily marketable securities and other instruments shall be priced using a pricing service or through quotations from one or more dealers. All other assets shall be valued at fair value by Hayes Financial and in accordance with Hayes Financial's fiduciary duty. Hayes Financial neither recommends nor manages thinly traded or alternative investments that have no readily available market valuation. In situations when thinly traded or alternative investments are held by clients, Hayes Financial either places those assets in a separate non-billable account with our custodian, or excludes those assets from billing (if held in an actively managed account).

Fees for a partial quarter at the commencement or termination of an agreement will be prorated based on the number of days the account was open during the quarter.

- C** Clients pay brokerage transaction costs and other charges directly to the custodian. See Item 12. Clients may be required to pay, in addition to Hayes Financial's fee, a proportionate share of any Exchange Traded Fund's (ETF) or mutual fund's fees and charges. For example, Mutual fund operating expenses are paid out of the fund and are an additional expense incurred by the Client.
- D** Clients pay all advisory fees quarterly, in advance. Fixed fee projects may require one half

of the fixed fee to be paid up front, with the balance due upon completion of the project.

New accounts are pro-rated from the time we begin charging a fee to the Client. Fees for partial quarters at the commencement or termination of this Agreement will be billed on a pro-rated basis contingent on the number of days the account was open during the quarter.

Upon termination of any fixed fee project, any prepaid but unearned fees will be promptly refunded by Hayes Financial and any partially completed plan will be delivered to the Client in its partially completed form. Any fees that have been earned by Hayes Financial but not yet paid by Client will be immediately due and payable.

If Hayes Financial has provided the Client a copy of its Form ADV Part 2 less than forty-eight hours prior to entering into any investment advisory contract or if Hayes Financial provided the Client a copy of its Form ADV Part 2 at the time of entering into the investment advisory agreement, then the Client may terminate the investment advisory agreement without penalty within five business days after entering into the contract. Alternatively, the investment advisory agreement may be terminated at any time by either party by providing 15 days written notice to the other party.

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

Hayes Financial does not charge any performance-based fees for its services or perform side by side management. Accordingly, this item is not applicable to our firm.



**Item 7 – Types of Clients**

We provide investment advice to individuals, high net worth individuals, and businesses. Because each Client is unique, they must be willing to be involved in the planning and ongoing processes. Such involvement does not have to be time-consuming, however we want our Clients to remain informed and have a sense of security about their investments. Hayes Financial has no minimum account size for opening or maintaining an account.

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

- A** Hayes Financial employs a 7-step process, ensuring that prior to investment of any client monies a deep and thorough understanding is gained of each client's entire financial picture. We discuss budget, income and withdraw expectations prior to the recommendation or deployment of portfolio strategies. After our team is confident in its understanding of the client's circumstances, we recommend separate allocation strategies for qualified and non-qualified monies. These allocations are constructed using cash flow/withdraw expectations and then modern-portfolio theory and current economic expectations. Each asset class within the allocation is then funded primarily with mutual funds, but also include stocks, bonds and ETF's, using our proprietary scoring model. This model assigns point values to performance measures we determine to be most valuable (ex. low downside capture, high Alpha, etc.). Those characteristics and Modern Portfolio statistics that we value most, receive proportionally higher scores, highlighting our favored performance behaviors with a higher cumulative score. Additionally, each investment is evaluated (and scored) over multiple time periods, including the 2008 downturn. As scores decline, assets are sold and replaced with those whose scores are higher.

Lastly, we conduct a qualitative review on each fund/investment that receives a high score in our model. This allows us to further evaluate risks to loss and underperformance.

- B** We use our best judgment and good faith efforts in rendering services to Client. We cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Not every investment recommendation we make will be profitable. Investing in securities involves risk of loss that Clients should be prepared to bear. Clients assume all market risk involved in the investment of account assets. Investments are subject to various market, currency, economic, political, and business risks.

Except as may otherwise be provided by law, we are not liable to Clients for:

- any loss that Clients may suffer by reason of any investment recommendation we made with that degree of care, skill, and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; or
- any independent act or failure to act by a custodian of Client accounts.

It is the responsibility of the Client to give us complete information and to notify us of any changes in financial circumstances or goals.

**Item 9 – Disciplinary Information**

Hayes Financial is required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. No principal or person associated with Hayes Financial has any information to disclose which is applicable to this Item.

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

Hayes Financial is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. No principal or person associated with Hayes Financial has any information to disclose which is applicable to this Item.

**Item 11 – Code of Ethics, Participation or Interest in Client Transaction & Personal Trading**

**A** Hayes Financial has a Code of Ethics which all employees are required to follow. The Code of Ethics outlines our high standard of business conduct, and fiduciary duty to Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

A copy of the code of ethics is available to any Client or prospective Client upon request by contacting Clare Raleigh, at (408) 947-7321 or [clare@hfinancial.com](mailto:clare@hfinancial.com).

**B, C, D** We do not own or manage any companies or investments that we advise our Clients to buy.

Hayes Financial or individuals associated with our firm may buy and sell some of the same securities for their own account that Hayes Financial buys and sells for its Clients. When appropriate, we will purchase or sell securities for Clients before purchasing the same for our account or allowing representatives to purchase or sell the same for their own account. In some cases Hayes Financial or representatives may buy or sell securities for their own account for reasons not related to the strategies adopted for our Clients. Our employees are required to follow the Code of Ethics when making trades for their own accounts in securities which are recommended to and/or purchased for Clients. The Code of Ethics is designed to assure that the personal securities transactions will not interfere with decisions made in the best interest of advisory Clients while at the same time, allowing employees to invest their own accounts.

Hayes Financial will disclose to advisory Clients any material conflict of interest relating to us, our representatives, or any of our employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

As any advisory situation could present a conflict of interest, we have established the following restrictions to ensure our fiduciary responsibilities:

1. A director, officer, associated person, or employee of Hayes Financial shall not buy or sell securities for his personal portfolio where his decision is substantially derived, in whole or in part, by reason of his employment unless the information is also available to the investing public on reasonable inquiry. No person of Hayes Financial shall prefer his or her own interest to that of the advisory Client.
2. Hayes Financial maintains a list of all securities holdings for itself and for anyone associated with its advisory practice that has access to advisory recommendations. An appropriate officer of Hayes Financial reviews these holdings on a regular basis.

Hayes Financial, Inc.  
Form ADV Part 2A – Firm Brochure

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3. Any individual not in observance of the above may be subject to termination.

## Item 12 – Brokerage Practices

**A** Our Clients' assets are held by independent third-party custodians. Except to the extent that the Client directs otherwise, Hayes Financial may use its discretion in selecting or recommending the broker-dealer. The Client is not obligated to effect transactions through any broker-dealer recommended by Hayes Financial. In recommending broker-dealers, Hayes Financial will comply with its fiduciary duty to seek best execution and with the Securities Exchange Act of 1934 and will take into account such relevant factors as:

- Price;
- The custodian's facilities, reliability and financial responsibility;
- The ability of the custodian to effect transactions, particularly with regard to such aspects as timing, order size and execution of order; and
- Any other factors that we consider to be relevant.

Generally speaking, we will recommend that Clients establish custodial brokerage accounts with TD Ameritrade Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors like us services which include custody of securities, trade execution, clearance and settlement of transactions. We work with TD Ameritrade primarily with for administrative convenience and also because TD Ameritrade offers a good value to our Clients for the transaction costs and other costs incurred. We also receive some benefits from TD Ameritrade through our participation in the institutional services program ("Program"). (Please see the disclosure under Item 14 below for additional disclosures regarding the Program.)

**B** Hayes Financial may aggregate trades for Clients. The allocations of a particular security will be determined by Hayes Financial before the trade is placed with the broker. When practical, Client trades in the same security will be bunched in a single order ("block") in an effort to obtain best execution at the best security price available. When employing a block trade:

- Hayes Financial will make reasonable efforts to attempt to fill Client orders by day-end.
- If the block order is not filled by day-end, Hayes Financial will allocate shares executed to underlying accounts on a pro rata basis, adjusted as necessary to keep Client transaction costs to a minimum.
- If a block order is filled (full or partial fill) at several prices through multiple trades, an average price and commission will be used for all trades executed.
- All participants receiving securities from the block trade will receive the average price.
- Only trades executed within the block on the single day may be combined for purposes of calculating the average price.

It is expected that this trade aggregation and allocation policy will be applied consistently.

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Form ADV Part 2A – Firm Brochure

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However, if application of this policy results in unfair or inequitable treatment to some or all of Hayes Financial's Clients, Hayes Financial may deviate from this policy.



**Item 13 – Review of Accounts**

- A** Accounts are reviewed by Zachary Hayes who is responsible for overseeing all investment advisory activities for the firm. The frequency of reviews is determined based on the Client's investment objectives. Accounts are generally reviewed quarterly, but in any event, no less than annually.
- B** More frequent reviews may be triggered by a change in Client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; loss of confidence in corporate management; or, changes in the economic climate.
- C** Investment advisory Clients receive standard account statements from the custodian of their accounts on a monthly basis. Hayes Financial also provides Clients with a written report summarizing the account activity generally quarterly, but in any event, no less than annually.

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

Hayes Financial has no arrangements, written or oral, in which we are compensated for referrals.

As disclosed under Item 12 above, we participate in TD Ameritrade’s institutional customer program and we may recommend TD Ameritrade to Clients for custody and brokerage services. While there is no direct link between our participation in the Program and the investment advice provided to Clients, we do receive economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors include the receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit its Client accounts. These products or services may assist us in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop its business enterprise. The benefits received by Hayes Financial or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Hayes Financial endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Hayes Financial or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

Hayes Financial also receives from TD Ameritrade certain additional economic benefits (“Additional Services”) that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include services provided by Orion, which provides client portfolio accounting services, Morningstar, which provides investment research services, Thinkpipes, which provides trading tools, Zoom, which provides video conferencing services, By All Accounts, which provides account aggregation services, Red Tail, which provides client relationship management services, Money Tree, which provides financial planning tools, and Bespoke Investment, which provides investment research and portfolio management tools, Box.com, which provides cloud based file storage. TD Ameritrade provides the Additional Services to Hayes Financial in its sole discretion and at its own expense, and Hayes Financial does not pay any fees to TD Ameritrade for the Additional Services. Hayes Financial and TD Ameritrade have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional Services. Hayes Financial’s receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Hayes Financial, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Hayes

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Financial's Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with Hayes Financial, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, Hayes Financial may have an incentive to recommend to its Clients that the assets under management by Hayes Financial be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. Hayes Financial's receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

### **Item 15 – Custody**

With the exception of Hayes Financial’s ability to debit fees, Hayes Financial does not otherwise have custody of the assets in the account. Clients provide written authority to have fees debited from their accounts when they review and sign Hayes Financial’s Investment Advisory Agreement. They also provide the Custodian the authority to release fee payments from their accounts when they sign the custodial account application. Clients shall receive monthly account statements from the Custodian. Clients also receive quarterly statements from Hayes Financial that include notification of advisory fee calculations and the debiting from of these fees from client accounts. We urge clients to review the Hayes Financial statements carefully and compare these accounts statements with the account statements from the Custodian.

Hayes Financial shall have no liability to the Client for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount or such loss is covered by the Securities Investor Protection Corporation (“SIPC”) or any other insurance which may be carried by the custodian. The Client understands that SIPC provides only limited protection for the loss of property held by a custodian.

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

Clients generally grant Hayes Financial ongoing and continuous discretionary authority to execute its investment recommendations in accordance with Hayes Financial's Statement of Investment Policy (or similar document used to establish each Client's objectives and suitability), without the Client's prior approval of each specific transaction. Under this discretionary authority, Client allows Hayes Financial to purchase and sell securities and instruments in their account(s), arrange for delivery and payment in connection with the foregoing, select and retain sub-advisors, and act on behalf of the Client in matters necessary or incidental to the handling of the account, including monitoring certain assets.

Clients may also grant Hayes Financial non-discretionary authority to execute its investment recommendations. Non-discretionary authority requires Hayes Financial to obtain a Client's prior approval of each specific transaction prior to executing the investment recommendations.

**Item 17 – Voting Client Securities**

- A** Without exception, Hayes Financial does not vote proxies on behalf of Clients. Additionally, Hayes Financial will not provide advice to Clients on how the Client should vote.
- B** Hayes Financial does not have authority to vote Client securities. Clients will receive proxies and other solicitations directly from the custodian or transfer agent. If any proxy materials are received on behalf of a Client, they will be sent directly to the Client or a designated representative of the Client, who is responsible to vote the proxy.

**Item 18 – Financial Information**

- A** Hayes Financial does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B** Hayes Financial does have discretionary authority over Client funds or securities, but we have no financial commitments that would impair our ability to meet contractual and fiduciary commitments to Clients.
- C** Neither Hayes Financial, nor any of the principals, have been the subject of a bankruptcy petition at any time in the past.