

Item 1 – Cover Page

# HAYES FINANCIAL, INC.

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

(408) 947-7321

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<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.

Hayes Financial, Inc. is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training.

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 Wrap Fee 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.

*At this time, we have no material changes to report.*

Currently, our Wrap Fee 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 – Services, Fees and Compensation

- A** Under this Wrap Fee Program, Hayes Financial, Inc. (“Hayes Financial” “we” “us” or the “firm”) provides investment advisory 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.

Under this Wrap Fee Program, Hayes Financial charges Clients annual fees for investment advisory services generally ranging from 1.0% to 1.25% of assets under management according to the amount of assets under management and the specific needs of the Client for managing Clients’ portfolios. Fees are generally not negotiable.

- B** In determining whether to establish an account under our wrap fee program, you should be aware that the overall cost to you of the program may be higher or lower than you might incur by purchasing separately, or unbundled, the types of securities available in the program. In order to compare the cost of the program with unbundled services, you should consider the turnover rate in our investment strategies, trading activity in the account and standard advisory fees and brokerage commissions that would be charged at our custodian, or at other broker-dealers and investment advisors.

Depending upon the percentage wrap-fee charged by our firm (as described more fully above), the amount of portfolio activity in your account, and the value of custodial and other services provided, the wrap-fee may or may not exceed the aggregate cost of such services if they were to be provided separately and/or if we were to negotiate transaction fees and seek best price and execution of transactions for your individual account. In as much as the execution costs for transactions effected in your account will be paid by our firm, a conflict of interest arises in that we may have a disincentive to trade securities in your account.

- C** Clients that are enrolled in the wrap fee program will still be required to pay certain fees including:
- The Client’s proportionate share of any internal mutual fund’s fees and charges.
  - The Client’s proportionate share of internal fees and expenses of exchange-traded funds such as fees and expenses for investment advisory services, administration, and other fund-level expenses
  - Client charges imposed by the Client’s current custodian (e.g., a transfer or termination

fee) before the assets are transferred to Hayes Financial.

- Client charges imposed by the Hayes Financial's custodian (e.g., a transfer or termination fee) before the assets are transferred from Hayes Financial.
- Client charges necessary to liquidate incoming positions into our recommended portfolio.

**D** Hayes Financial and its investment advisor representatives receive compensation as a result of your participation in the wrap fee program. This compensation may be more than the amount Hayes Financial and its investment advisor representatives would receive if you paid separately for investment advice, brokerage, and other services. Accordingly, a conflict of interest exists because Hayes Financial and its investment advisor representatives have a financial incentive to recommend the program.

## **Item 5 – Account Requirements and Types of Clients**

Hayes Financial provides investment advice to individuals, high net worth individuals, and businesses. Hayes Financial has no minimum account size for opening or maintaining a Wrap Fee Program Account.

## **Item 6 – Portfolio Manager Selection and Evaluation**

- A** Investment advisor representatives of Hayes Financial may act as the portfolio manager under a wrap fee program account. In circumstances where Hayes Financial recommends separate account managers, we consider several factors including account size, risk tolerance, the opinion of each Client and the investment philosophy of the selected registered investment advisor. The recommendation of the initial portfolio manager and or the replacement of the portfolio manager will be based on a number of factors including Client service, portfolio performance, customer satisfaction and other similar factors. The Chief Compliance Officer or other firm manager may conduct periodic portfolio performance evaluations where the performance of the portfolio being evaluated may be compared to other similarly managed accounts. Each portfolio evaluated may be evaluated based on its particular circumstances. Therefore, the portfolio performance evaluations of accounts may not be conducted on a uniform or consistent basis.
- B** Investment advisor representatives of Hayes Financial may act as the portfolio manager under a wrap fee program account. Hayes Financial and its investment advisor representatives receive compensation as a result of your participation in the program. This compensation may be more than the amount Hayes Financial and its investment advisor representatives would receive if you paid separately for investment advice, brokerage, and other services. Accordingly, a conflict of interest exists because Hayes Financial and its investment advisor representatives have a financial incentive to recommend the program. Related persons are subject to the same selection criteria as outside portfolio managers.
- C** **Advisory Business.**  
Information regarding types of advisory services offered, how advisory services are tailored to individual needs of Clients, and differences between the wrap fee program and separately managed accounts can be found in Item 4 above.

### **Performance-Based Fees and Side-By-Side Management.**

Hayes Financial does not charge any performance-based fees for its services and does not provide side-by-side management.

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

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.

As part of our core investment approach, we purchase on behalf of Clients investments including (but not limited to) the following:

- Mutual Fund shares
- Exchange Traded Fund shares
- Publicly traded securities
- Corporate debt securities
- Municipal securities
- United States government and agency securities

We primarily research and review securities using traditional fundamental analysis. The primary investment strategies used to implement investment advice given to Clients include long-term (securities held at least one year) and short-term (securities sold within a year) purchases. The fundamental analysis of securities is used in conjunction with modern portfolio theory to generate diversified portfolios of securities based on the individual Client's investment goals and risk tolerance profile. While this practice does mediate some investment risk, it cannot mediate all investment risk. This residual systemic risk includes, but is not limited to, interest rate risk, inflation risk, market risk, corporate risk, geopolitical risk, and risk due to war or natural disasters.

**Voting Client Securities.**

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.

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 7 – Client Information Provided to Portfolio Managers**

Once the Client selects an investment advisor representative and an advisory relationship is initiated, the investment advisor representative will obtain information from the Client on the Client's financial background, prior investment experience, investment objectives, goals and restrictions, if any, and risk tolerance, among other things. This information is shared with any separate account manager selected by the Client.



**Item 8 – Client Contact with Portfolio Managers**

Hayes Financial does not place any restrictions on its Client's ability to contact and consult with their portfolio managers.

## Item 9 – Additional Information

### A **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.

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

Hayes Financial may, on occasion, recommend that all or a portion of a Client's assets be managed by an unaffiliated investment manager or sub-advisor. Fees charged by a sub-advisor will be fully disclosed to Clients. Sub-advisory fees may be deducted directly from Client accounts and may result in increased fees to Client. In all discretionary accounts, except to the extent the Client directs otherwise, we are authorized to use our discretion in selecting or changing a sub-advisor and/or outside money manager to the account without prior approval from a Client. Clients may be required to execute a limited power of attorney with a sub-advisor selected by us. Prior to selecting other advisers to manage Client assets, Hayes Financial will confirm that the other advisers are properly licensed or registered as an investment adviser.

### B **Code of Ethics, Participation or interest in Client transactions and personal trading.**

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.

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

**Review of Accounts.**

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.

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.

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.

**Client Referrals and Other Compensation.**

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

Hayes Financial utilizes TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC, as custodian/broker-dealer. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. Hayes Financial participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to Clients for custody and brokerage services. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. The firm receives some benefits from TD Ameritrade through its participation in the program. 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 including the receipt of duplicate Client statements and confirmations; research related products and tools; consulting

services; access to a trading desk serving Hayes Financial 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 Hayes Financial by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Hayes Financial's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Hayes Financial but may not benefit its Client accounts. These products or services may assist Hayes Financial in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Hayes Financial 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 Hayes Financial's 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 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.

**Financial Information.**

Hayes Financial does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

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.

Neither Hayes Financial, nor any of the principals, have been the subject of a bankruptcy petition at any time in the past.