

Item 1: Cover Page

Watters Financial Services, LLC

Form ADV Part 2A

16 Arcadian Ave., Suite C4
Paramus, NJ 07652
Phone: (201) 843-0044
Facsimile: (201) 843-1171
www.wattersfinancial.com

February 2024

This Brochure provides information about the qualifications and business practices of Watters Financial Services, LLC. If you have any questions about the contents of this brochure, please contact Timothy J. Watters, Member and Chief Compliance Officer, at (201) 843-0044 or www.wattersfinancial.com.

Additional information about Watters Financial Services, LLC is available on the SEC's website at www.adviserinfo.sec.gov. 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.

Watters Financial Services, LLC is a Registered Investment Advisor (RIA). Please note that use of the term "Registered" does not imply a certain level of skill or training. For more information on the qualifications of the Firm and our employees who advise you, we encourage you to review this Brochure and the Brochure Supplements.

Item 2: Summary of Material Changes

In this Item of Watters Financial Services, LLC (WFS or the “Firm,” “we,” “us,” “ours”). Form ADV 2, we are required to discuss any material changes that may have been made to Form ADV since the last Annual Amendment.

Material Changes since the Last Update

Since our last annual updating amendment dated March 2, 2023, we have the following Material Changes to report:

- This Form was updated to reflect changes in our brokerage practices relating to the acquisition of the qualified custodian, TD Ameritrade, by Charles Schwab & Co., Inc. Please see Item 12 (Brokerage Practices);
- This Form was updated to remove reference to our receipt of client referrals and our payment of related compensation upon the acquisition of the qualified custodian, TD Ameritrade, by Charles Schwab & Co., Inc. We no longer receive referrals from TD Ameritrade. Please see Item 14 (Client Referrals and Other Compensation); and
- This Form was updated to clarify that we do not vote proxies on behalf of clients. Please see Item 17 (Voting Client Securities).

Annual Update

You will receive a summary of any material changes to our Form ADV brochure within 120 days of our fiscal year end. We may also provide updated disclosure information about material changes on a more frequent basis. Any summaries of changes will include the date of the last annual update of the ADV.

The Supplement to our Form ADV Brochure (Form ADV Part 2B) provides you with information regarding our employees that provide investment advice.

Full Brochure Available

Our Form ADV may be requested at any time, without charge by contacting Timothy J. Watters, Member and Chief Compliance Officer at (201) 843-0044, or www.wattersfinancial.com.

Additional information about Watters Financial Services, LLC is available on the SEC's website at www.adviserinfo.sec.gov. 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.

Item 3: Table of Contents

Item 1: Cover Page	1
Item 2: Summary of Material Changes	2
Item 4: Advisory Business	4
Item 5: Fees and Compensation	10
Item 6: Performance-Based Fees and Side-By-Side Management	15
Item 7: Types of Clients.....	16
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	17
Item 9: Disciplinary Information	21
Item 10: Other Financial Industry Activities and Affiliations	22
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .	23
Item 12: Brokerage Practices	24
Item 13: Review of Accounts	25
Item 14: Client Referrals and Other Compensation	26
Item 15: Custody	27
Item 16: Investment Discretion	28
Item 17: Voting Client Securities	29
Item 18: Financial Information	30
Form ADV Part 2B – Investment Adviser Brochure Supplement.....	31

Item 4: Advisory Business

Watters Financial Services, LLC (WFS) provide wealth management, business retirement plan consulting and a one-time portfolio review to new clients. We are an independent firm not affiliated with any investment firm, bank, or insurance company. We do not sell investment products or insurance policies. We do not receive commissions; fees received come directly from the client. The combination of our independence and Fee-Only compensation enables us to give our clients advice that is more objective and unbiased. No one is influencing our recommendations.

Being a Registered Investment Advisor (RIA), we are legally required to uphold a Fiduciary Standard of Care, which means we must always act in good faith and in the best interests of the client. As an RIA, we are required to provide full disclosure and transparency in the ADV Brochures Part 2A and 2B.

All advice is provided by CERTIFIED FINANCIAL PLANNER™ Professionals (CFP®). The Certified Financial Planner Board of Standards, Inc. establishes and enforces the fiduciary standards, ethics, examination, experience, and ongoing education requirements of Financial Planners with CFP® certificates. Non-fiduciary advisers are only required to provide advice or sell products that they deem "suitable" to the client. Those products and recommendations may not be the best or most cost effective for the client's financial situation or goals.

For over 35 years, our mission has been to deliver customized plans, superior personalized service, expertise and advice designed to reduce risk, grow wealth, protect assets, and manage income and taxes.

We are organized as a limited liability company (LLC) under the laws of the State of New Jersey. Timothy J. Watters is a Member and Chief Compliance Officer, and Colin R. Watters is an Owner and Client Advisor of WFS.

As used in this brochure, "WFS", "we", "our" and "us" refer to Watters Financial Services, LLC and the words "you", "your" and "client" refer to a client or prospective client of our firm. An Associated Person refers to an employee of the firm.

Types of Advisory Services

Wealth Management

A combination of Investment Management and Financial Planning. Review meetings and extent of Financial Planning services is based on the assets under management.

Portfolio Review

Test the Watters. Get to know us with a one-time portfolio review for new clients.

Retirement Plan Consulting to Business Owners

Services regarding Retirement Plans, ERISA, 401(k), and Pension Plans.

Wealth Management (for Clients with \$500,000 or more in assets under management, AUM)

<u>AUM</u>	<u>Number of Review Meetings</u>
\$500,000 and above	Usually Quarterly following a Client Roadmap and follow-up letters

Wealth Management is a comprehensive investment advisory service that bundles together portfolio management and financial planning components for one advisory fee. Wealth Management is a structured process which includes: (1) Discovery Meeting, (2) Ongoing Comprehensive Financial Planning and Client Engagement Road Map, (3) Goal-Based Reporting (investment benchmark, risk and returns, rebalancing), and (4) Periodic meetings which are usually quarterly. Follow up letters and/or e- mails are sent to clients after each review meeting summarizing what was discussed, recommendations, and next actions. Wealth Management is an eight-step process.

Step 1. Establishing and defining the client-planner relationship.

Step 2. Gathering client data. We construct a personal profile identifying your goals, time horizon, liquidity needs, risk tolerance, resources, cash flow, and income requirements. This information also serves as the foundation for the Client Engagement Road Map used to structure the ongoing comprehensive financial planning. The client prioritizes the sequence of issues that will be addressed over the next two years. These topics may include:

- Retirement Planning; 401(k), IRA, ROTH IRA, Pension Plans, Retirement Funding, and Income Disbursement.
- Wealth Transfer and Estate Planning; Wills, Trusts, Power of Attorney, Health Care Proxy, Living Will.
- Risk Management and Protection of Income; insurance for life, disability, homeowners, automobile, long term care, personal liability.
- Business Succession, Buy/Sell Agreements.
- Tax Analysis of Investments and Retirement Vehicles.
- Investment Planning (including portfolio design); i.e., asset allocation and portfolio management.
- College Funding, Debt Management, Cash Flow Analysis, and Budgeting.

Step 3. Analyze and evaluate the client's current financial status.

Step 4. Develop and present investment management and financial planning recommendations. Develop the Client Engagement Road Map outlining the structure of the comprehensive and ongoing financial planning. **Note: We are an independent firm and do not sell investments or insurance. We are a Fee-Only firm and do not receive commissions, rebates, awards, finder's fees, or bonuses for recommending insurance policies or investment products. No one is influencing our recommendations.**

Step 5. Determine the optimal asset allocation and appropriate diversification of the investment portfolio. A diversified investment portfolio is designed to maximize returns while simultaneously managing risk. The client's risk tolerance and the risk within each of the assets are considered.

Step 6. Implement the investment portfolio with either discretionary or non-discretionary trading authority. You will grant our firm either discretionary or non-discretionary trading authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the number of securities, to be purchased or sold for your account without your approval prior to each transaction. The trading authority you grant the firm is documented in the Investment Advisory Agreement, the applications you sign with Charles Schwab & Co. ("Schwab") (you initial the limited power of attorney authorizations) and the Investment Guidelines documenting the portfolio model chosen and lists any restricted positions to be held in your accounts. You may limit our discretionary authority, for example, limiting the types (fossil fuels, tobacco) of securities that can be purchased for your account. These guidelines and restrictions can be changed at any time with a new signed Investment Guidelines form. If you enter into a non-discretionary arrangement, we must obtain your approval prior to executing any transactions for your account.

Step 7. Monitor investment performance and periodically rebalance the portfolio. The investment portfolio is monitored on an ongoing basis. Portfolios are rebalanced if the relative value of the investment changes enough to become inconsistent with the agreed upon asset allocation because of changes in the market or your financial circumstances. Account supervision is guided by the stated objectives of the client, i.e., growth, income, or growth and income. Clients are asked to notify us if there is ever any change in their financial situation or investment objectives.

To summarize, Investment Management includes:

1. Developing investment strategies
2. Selecting investments
3. Executing trades (on a discretionary or non-discretionary trading authority)
4. Periodic performance reporting
5. Rebalancing
6. Reallocating portfolio due to changes in your portfolio model, economy, performance of fund managers and other factors
7. Tax loss harvesting

Step 8. Monitor the progress of the comprehensive financial planning. The Client Engagement Road Map segments the issues and attaches a timetable to the strategic financial plan. Financial Planning is a dynamic process and is monitored with review meetings. Most clients have meetings quarterly. Different financial strategic plans and/or products may be more appropriate and effective as circumstances change. Planning is affected by changes in the economy, political environment, stock market, tax laws, investment performance, health status,

income, or other life event such as divorce, job loss, or death of a loved one. Wealth Management clients do not receive a single written financial planning document, as this service includes comprehensive and ongoing financial planning. Clients are provided a "Client Engagement Road Map" that breaks down the planning process into assignments or activities that are discussed and acted upon during the client's meetings which are usually quarterly. All meetings are followed up with an e-mail or letter summarizing what was discussed, recommendations, and next actions. Clients receive a call before the meeting to review the agenda for the meeting and may add or delete a topic depending on their preferences or an event that requires a discussion/solution.

Wealth Management (for Clients with AUM below \$500,000)

We develop an Investment Portfolio with the optimal asset allocation and appropriate the client's risk tolerance, goals, and other considerations. A diversified investment portfolio is designed to maximize returns while simultaneously managing risk. The criteria for selection of investment vehicles, performance, and allocation of the various types of assets are monitored on an ongoing basis. We will supervise the client's portfolio and will make recommendations to revise the allocation as market factors and the client's needs dictate. Portfolios are rebalanced, on a discretionary or non-discretionary basis, if the relative value of the investment changes enough to become inconsistent with the agreed upon asset allocation. Clients may instruct the firm to refrain from investing in certain types of securities for example oil, fossil fuels or tobacco.

These guidelines are documented, signed and can be changed at any time.

To summarize, Investment Management includes

1. Developing investment strategies
2. Selecting investments
3. Executing trades (on a discretionary or non-discretionary trading authority)
4. Periodic performance reporting
5. Rebalancing
6. Reallocating portfolio due to changes in your portfolio model, economy, performance of fund managers and other factors
7. Tax loss harvesting

Assets Under Management

\$300,000 to \$500,000

Under \$300,000

Number of Review Meetings

Two review meetings with follow-up letters

Annual meeting with follow-up letter

Portfolio Review

Test the Watters: Get to know us with a one-time portfolio review for new clients. This service provides another perspective on your existing investment portfolio. 401(k) assets, investment accounts and retirement accounts will be reviewed. After researching current holdings, risk tolerance, time horizon, goals, liquidity needs, resources, cash flow and income requirements,

specific recommendations will be given to improve the portfolio.

Retirement Plan Consulting to Business Owners

We offer various levels of advisory and consulting services to employee benefit plan sponsors and fiduciaries. The services are designed to assist them in meeting their management obligations to participants under the Employee Retirement Income Securities Act ("ERISA"). We offer pension consulting services based upon the needs of the plan and the services requested. The consulting will be non-discretionary and advisory in nature. We will provide advice about asset classes and investment alternatives available for the plan. The plan sponsor or fiduciary shall have the final decision-making authority regarding the selection, retention, removal, and addition of investment options. We will not be involved in any way in the purchase or sale of these investments. Investments will be monitored periodically based on the procedures and timing intervals delineated by the client.

We also provide periodic educational workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the plan sponsor under the guidelines established in ERISA Section 404(c). The educational workshops will NOT provide plan participants with individualized, tailored investment advice or asset allocation recommendations. We are not a fiduciary to the participants. The sponsor or fiduciary retains the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).

Tailored Relationships

We tailor investment advisory services to the individual needs of the client. Our clients are allowed to impose restrictions on the investments in their account. All limitations and restrictions placed on accounts must be presented to us in writing.

Wrap Fee Programs

A "wrap-fee" program is one that provides the client with advisory and brokerage execution services for an all-inclusive fee. The client is not charged separate fees for the respective components of the total service. We do not sponsor, manage or participate in a Wrap Fee Program.

Fiduciary Statement

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act, ("ERISA") and/or the Internal Revenue Code, ("IRC"), as applicable, which are laws governing retirement accounts.

We have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. We must take into consideration each client's objectives and act in the best interests of the client. We are

prohibited from engaging in any activity that is in conflict with the interests of the client. We have the following responsibilities when working with a client:

- To render impartial advice;
- To make appropriate recommendations based on the client's needs, financial circumstances, and investment objectives;
- To exercise a high degree of care and diligence to ensure that information is presented in an accurate manner and not in a way to mislead;
- To have a reasonable basis, information, and understanding of the facts in order to provide appropriate recommendations and representations;
- Disclose any material conflict of interest in writing; and
- Treat clients fairly and equitably.

Regulations prohibit us from:

- Employing any device, scheme, or artifice to defraud a client;
- Making any untrue statement of a material fact to a client or omitting to state a material fact when communicating with a client;
- Engaging in any act, practice, or course of business which operates or would operate as fraud or deceit upon a client; or
- Engaging in any manipulative act or practice with a client.

We will act with competence, dignity, integrity, and in an ethical manner, when working with clients. We will use reasonable care and exercise independent professional judgement when conducting investment analysis, making investment recommendations, trading, promoting our services, and engaging in other professional activities.

Assets Under Management

As of December 31, 2023, we managed \$90,734,235 on a discretionary basis and \$ 87,373,069 on a non-discretionary basis for a total of \$178,107,304.

Item 5: Fees and Compensation

Wealth Management

For clients with asset under management \$500,000 and above, the fee for Wealth Management includes both investment management and comprehensive, continuous financial planning.

The annual fee is charged as a percentage of assets under management (AUM), according to the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee (%)</u>
Under \$750,000	1.00%
\$750,000 to \$1,000,000	0.75%
\$1,000,000 to \$5,000,000	0.60%
Over \$5,000,000	Negotiable

For example, clients with \$850,000 in assets under management (AUM) will be charged annually 1.00% for the first \$750,000 plus 0.75% on the next \$100,000.

Unlike other firms, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. This can help lower the aggregate fee percentage charged. We will act in our clients' best interests and choose the lowest client fee rate when making a householding calculation, in effect reducing our total advisory fee to such clients.

We do **NOT** charge performance-based fees, which are fees calculated on the basis of capital appreciation within client accounts.

We do **NOT** invest in any funds that charge initial or deferred sales charges.

We do **NOT** charge to provide investment advice on a client's employer retirement plan assets.

We do **NOT** share in any portion of the brokerage fees/transaction charges imposed by Schwab.

We primarily use no load mutual funds or exchange traded funds. We strive to obtain the lowest price when purchasing shares in mutual funds or exchange traded funds. We strive to invest in the least expensive share class of the fund whenever practical.

We offer one hour of financial planning services to family members of existing Wealth Management clients with over \$1,000,000 in assets under management at no cost. We may waive this minimum at our discretion.

When considering us or other firms to manage your assets, we strongly recommend that you become an informed consumer. It is very important that you read the ADV forms (both the 2A and 2B) carefully before you commit to working with a financial advisor. Fees and disciplinary issues are very important (among others). Regarding fees, you should know of any other fees you may or will be charged. You should know when and how often. You should know if the Advisor you are considering will receive commissions, rebates, awards, finder's fees, bonuses, revenue sharing, or any other form of compensation based on his/her recommendations of insurance or investment products. The ADV forms 2A and 2B should be on the firm's website. If it is not on the website and the Advisor is hesitant to provide it, then we suggest that you continue your search. Regarding the advisor's integrity and the trust, you expect to have with the person handling your money, you should read Part 2B of the ADV. It is a bit like a resume and will disclose any current disciplinary issues or past disciplinary history.

In our case, We are a Fee-Only firm. The definition of Fee-Only is that the Advisor is compensated solely by the client with neither the Advisor nor any related party receiving compensation that is contingent on the purchase or sale of a financial or insurance product. The Advisor does not receive commissions, rebates, awards, finder's fees, bonuses, revenue sharing, or other forms of compensation from others because of a client's implementation of the recommendations.

Mutual funds and exchange traded funds charge fees to the client. These fees are described in each fund's prospectus and generally include a management fee and possibly other fund expenses. These fees should be reviewed with your advisor prior to making purchases. Schwab may charge transaction fees when purchasing or selling securities. Our goal is to minimize these fees by trading only when it is appropriate.

To fully understand the total cost, you will incur you should review all the fees charged by us, Mutual Funds, Exchange Traded Funds (ETF's), and Schwab.

Clients will be charged in arrears. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis. This means that the advisory fee is payable in proportion to the number of days in the quarter for which you were a client. We will deduct the wealth management fees at the end of the quarter, directly from your account through Schwab, which holds your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by Schwab.
- We will provide a quarterly performance report which includes the amount of the fee, the value of the assets on which the fee is based, and how the fee was calculated.
- The custodian, Schwab, agrees to send you a statement, at least quarterly, indicating all transactions including the amount of the advisory fee paid directly to our firm. You should review all statements for accuracy. We will also receive a copy of your

statements. If you do not receive a statement directly from Schwab, contact both Schwab and us.

Long-standing clients were subject to the minimum account requirements and advisory in effect at the time the client entered into the advisory relationship. Therefore, minimum requirements and advisory fees may differ among clients. At our discretion, we may waive this minimum account size based on the facts and circumstances at the time. Fees and account minimums may be negotiable.

Portfolio Review

The cost of this service is \$1,500, with half due at the beginning of the engagement, and the remaining balance due upon completion of our review. This service is a one-time offer for new clients to get to know us. Clients who choose to upgrade to Wealth Management will have this fee reimbursed.

Retirement Plan Consulting to Business Owners

Fee for this service will be negotiated with the plan sponsor and based on assets under management and complexity of assignment. For services that involve ongoing asset management, these fees will be charged based on the schedule outlined in the service contract of the plan service provider or the investment advisory service agreement if the assets are held at Schwab. These accounts will be billed quarterly in arrears. We will bill the client or the 401K vendor, or Schwab will directly deduct the fees from the account(s). We will not directly debit any account without receiving written authorization from the plan fiduciaries. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which the plan is under management. Further, the plan fiduciaries will receive an account statement delivered at least quarterly.

How We Handle Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or we will reimburse the account. If a trade error results in a profit, the trade error will be corrected by Schwab, and you will not keep the profit. Instead, the profit will be donated to a charity. The check will be processed through Schwab.

Termination

The duration of the agreement shall be ongoing until the Advisor or the client terminates the agreement in writing. For managed investments, clients will incur a pro rata charge for services rendered prior to the termination. This means they will incur advisory fees only in proportion to the number of days in the quarter for which they were a client and their assets were managed.

Cash Balances

Some of your assets may be held as cash and remain uninvested. Holding a portion of your

assets in cash and cash alternatives, i.e., money market fund shares, may be based on your desire to have an allocation to cash as an asset class, to support a phased market entrance strategy, to facilitate transaction execution, to have available funds for withdrawal needs or to pay fees or to provide for asset protection during periods of volatile market conditions. Your cash and cash equivalents will be subject to our investment advisory fees unless otherwise agreed upon. You may experience negative performance on the cash portion of your portfolio if the investment advisory fees charged are higher than the returns you receive from your cash.

Retirement Plan Rollover Recommendations

As part of our investment advisory services to our clients, we may recommend that clients roll assets from their employer's retirement plan, such as a 401(k), 457, or ERISA 403(b) account (collectively, a "Plan Account"), to an individual retirement account, such as a SIMPLE IRA, SEP IRA, Traditional IRA, or Roth IRA (collectively, an "IRA Account") that we will advise on the client's behalf. We may also recommend rollovers from IRA Accounts to Plan Accounts, from Plan Accounts to Plan Accounts, and from IRA Accounts to IRA Accounts.

If the client elects to roll the assets to an IRA that is subject to our advisement, we will charge the client an asset-based fee as set forth in the advisory agreement the client executed with our firm. This creates a conflict of interest because it creates a financial incentive for our firm to recommend the rollover to the client (i.e., receipt of additional fee-based compensation). Clients are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if clients do complete the rollover, clients are under no obligation to have the assets in an IRA advised on by our firm. Due to the foregoing conflict of interest, when we make rollover recommendations, we operate under a special rule that requires us to act in our clients' best interests and not put our interests ahead of our clients.'

Under this special rule's provisions, we must:

- meet a professional standard of care when making investment recommendations (give prudent advice);
- never put our financial interests ahead of our clients' when making recommendations (give loyal advice);
- avoid misleading statements about conflicts of interest, fees, and investments;
- follow policies and procedures designed to ensure that we give advice that is in our clients' best interests;
- charge no more than a reasonable fee for our services; and
- give clients basic information about conflicts of interest.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, clients should consider the costs and benefits of a rollover. Note that an employee will typically have four options in this situation:

1. leaving the funds in the employer's (former employer's) plan;
2. moving the funds to a new employer's retirement plan;
3. cashing out and taking a taxable distribution from the plan; or
4. rolling the funds into an IRA rollover account.

Each of these options has positives and negatives. Because of that, along with the importance of understanding the differences between these types of accounts, we will provide clients with an explanation of the advantages and disadvantages of both account types and document the basis for our belief that the rollover transaction we recommend is in your best interests.

Item 6: Performance-Based Fees and Side-By-Side Management

We do not charge performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of the client's account.

Item 7: Types of Clients

We provide Wealth Management services to more than 100 families. Our clients trust us to help them invest over \$170 million in assets. The average client tenure is 15 years. Some clients have been with us for more than one generation. Below are examples of the types of clients we serve.

Business Owners and Entrepreneurs

Business owners wear many hats. They must run the business, grow the business, and make sure that they reach their own financial goals as well. Successful business owners assemble a team of trusted professionals that facilitate keeping it all on track. We take on the quarterback role to that team. We help the business owner with their personal planning as well as guide the company on acquisitions, succession planning and retirement plan selection. Many of our clients started their own businesses from scratch and built them into successful enterprises. We also serve many multigenerational family businesses. We work with plan sponsors and fiduciaries of pension and profit-sharing retirement plans which may include workshops with employees.

Corporate Executives and Professionals

For corporate executives and professionals, it is all about time. What little time they have, they want to spend it focused on their career and family. These individuals are looking for a trusted partner who can help them manage it all. We ensure that professionals and executives have that time, and they can trust us to handle their finances responsibly and in a timely manner. We may work as a team with their attorney and accountant to consolidate their finances and accomplish their goals.

Individuals Transitioning to Retirement

Facing the prospect of retirement is a daunting task. There are several factors to consider including your longevity, rates of return, inflation, etc. here, we act as your guide. We review your cash flow needs, analyze your personal situation, run retirement scenarios, and determine the optimal strategy to meet your goals.

We have the discretion to waive the account minimum. Accounts of less than \$500,000 may be set up when we anticipate the client will add additional funds to the accounts bringing the total to \$500,000, within a reasonable time. Other exceptions will apply to employees of the Firm and their relatives, or relatives of existing clients.

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

Our investment strategies and advice vary depending on each client's specific financial situation. Determining the investments and allocations is customized based on the goals and objectives, risk tolerance, time horizon, financial information, liquidity needs, and other factors.

Portfolios generally consist of one or all of the following: mutual funds, Exchange Traded Funds ("ETFs"), corporate, municipal and government bonds, notes, and Treasury Bills. However, we may recommend other types of investments as appropriate since each client has different needs and a different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

We generally do not recommend common or preferred stocks, but will incorporate them into client accounts if the client already holds such assets upon opening their accounts with us, or insists on the purchase of a stock. We do not engage in practices that involve frequent trading of securities which would increase transaction costs. We do not recommend or engage in short sales, margin transactions, or trying to time the market.

Mutual funds and ETFs are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if for example, the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange Traded Funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. While some mutual funds are "no load" and charge no fee to buy into or sell out of the funds, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end." "Open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests. The mutual funds and ETFs will be selected based on any or all of the following criteria: the fund's performance history, the industry sector in which the fund invests, the track record of the fund's manager, the fund's investment objectives, the fund's management style and philosophy, and the fund's management fee structure. We only use no load mutual funds and looks to obtain the lowest price share class of the fund whenever practical.

Corporate debt securities (or "bonds") are typically safer investments than equity securities,

but their risk can also vary widely based on the financial health of the issuer, the risk that the issuer might default, when the bond is set to mature, and whether the bond can be “called” prior to maturity. When a bond is called it may not be possible to replace it with a bond of equal character paying the same rate of return.

Government and Municipal securities, while generally thought of as safer, can also have significant risks associated with them including, but not limited to the credit worthiness of the governmental entity that issues the bond, the stability of the revenue stream that is used to pay the interest to the bondholders, when the bond is due to mature, and whether or not the bond can be “called” prior to maturity. When a bond is called it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Strategies and investments may have unique and possibly significant tax implications. However, unless we specifically agree otherwise in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the process of investing your assets. Schwab reports the cost basis of equities acquired in client accounts and of mutual funds. We use the Highest Cost accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Clients can place reasonable restrictions on the types of investments which will be made on the client’s behalf. This will be recorded in an Investment Guidelines form which will be reviewed periodically and can be changed at any time with a new signed Investment Guidelines form. Clients will always retain individual ownership of all securities and receive statements directly from Schwab.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings. Although we manage assets in a manner consistent with your investment objectives and risk tolerance, there can be no guarantee that our efforts will be successful. You should be prepared to bear the following risks of loss:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external

factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- **Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties (i.e., Non-traded REITs and other alternative investments) are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Cybersecurity Risk:** A breach in cyber security refers to both intentional and unintentional events that may cause an account to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause an account to incur regulatory penalties, reputational damage, and additional compliance costs associated with corrective measures, and/or financial loss.
- **Pandemic Risk:** Large-scale outbreaks of infectious disease can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption.
- **Custodial Risk:** This risk is the probability that a party to a transaction will be unable or unwilling to fulfill its contractual obligations either due to technological errors, control failures, malfeasance, or potential regulatory liabilities.

Options:

We only sell covered calls for clients who already own individual stocks. We will not purchase options for clients.

Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a

specific price on or before a certain date (the “expiration date”). Selling covered calls is a strategy in which an investor writes a call option contract while at the same time owning an equivalent number of shares of the underlying stock.

The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period. Calls are like having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock. We only offer Covered Calls to our clients.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.
- Option trading exchanges or markets and option contracts themselves are always open to changes.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm goes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks, as stock options are a derivative of stocks.

Item 9: Disciplinary Information

We are required to disclose all pertinent facts regarding any legal, regulatory or disciplinary events that would be material to your evaluation of the Firm or the integrity of our management.

There have never been any legal, regulatory or disciplinary actions against the Firm or our management persons.,

Item 10: Other Financial Industry Activities and Affiliations

Watters Financial Services, LLC and Timothy J. Watters, CFP® and Colin R. Watters, CFP® are not registered, nor have an application pending to register, as a broker-dealer or as a registered representative of a broker-dealer.

Both Timothy J. Watters and Colin R. Watters are recipients of the CERTIFIED FINANCIAL PLANNER™ Professional certification and are members of the Certified Financial Planner Board of Standards.

Timothy J. Watters and Colin R. Watters are members of the National Association of Personal Financial Advisors (NAPFA), the country's leading association of Fee-Only financial advisors. NAPFA-Registered Financial Advisors operate on a Fee-Only basis which means they do not sell insurance or financial products. Their compensation only comes directly from the client.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Our employees must comply with a Code of Ethics and Statement for Insider Trading (the “Code”). The Code describes our high standard of business conduct, and fiduciary duty to our clients. The Code’s key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

Our employees must acknowledge the terms of the Code at least annually, and any employee not in compliance with the Code may be subject to termination.

Participation or Interest in Client Transactions – Personal Securities Transactions

Both the Firm and our employees may buy or sell securities identical to those recommended to clients for their personal accounts. The Code, described above, is designed to assure that the personal securities transactions, activities and interests of the employees of the Firm will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities, primarily mutual funds, have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of our clients. In addition, the Code requires pre-clearance of many transactions. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. The Firm may maintain a list of restricted securities that employees may not purchase or sell based upon having (or possibly having) access to inside information. Employee trading is continually monitored under the Code and designed to reasonably prevent conflicts of interest between the Firm and our clients.

Participation or Interest in Client Transactions and Principal/Agency Cross Trades

We do not recommend any securities to our clients in which we have a material financial interest. We do not affect any principal or agency cross securities transactions for client accounts. We also do not cross trades between client accounts.

Participation or Interest in Client Transactions – Aggregation

Neither we, nor our employees aggregate (block) trades with clients.

Item 12: Brokerage Practices

We recommend the brokerage and custodial services of Charles Schwab & Co (“Schwab”), a securities broker-dealer and a member of the Financial Industry Regulatory Authority, the Securities Investor Protection Corporation, and the National Futures Association. Periodically we conduct extensive comparisons of the custodians, and we believe Schwab provides “Best Execution.” Factors we consider are the quality of the execution services, value of research provided, reputation in the industry, competitive prices, responsiveness to our clients and our firm. By aggregating all assets managed by us, clients have access to lower institutional transaction costs and access to funds with higher minimums to the retail investor. We do not receive soft dollars from Schwab or any broker-dealer.

Schwab provides services which include custody of securities, research, trade execution, clearance and settlement of transactions, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. The institutional platform offers products and services that assist us in managing and administering clients’ accounts and:

- provides access to client account data and receipt of duplicate trade confirmations and account statements.
- facilitates trade execution of buy and sell transactions.
- provides research, pricing, and other market data and tools.
- advisory fees deducted directly from client accounts.
- assists with back-office functions, keeping records, and client reporting.
- provides access to a trading desk serving us.
- provides access to an electronic communications network for client order entry and account information.
- provides access to mutual funds with no transaction fees and to certain institutional money managers.

We may conduct block trades for discretionary accounts. Block trading is the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts. However, we usually execute transactions separately.

Item 13: Review of Accounts

Timothy J. Watters, CFP® and Colin R. Watters, CFP® will monitor your accounts on a continuous basis and will periodically conduct account reviews. The reviews are conducted to ensure the advisory services provided to you and the portfolio mix is consistent with your current investment needs, objectives, and agreed upon portfolio model. You can change at any time your portfolio model or restrictions by discussing it and signing a new Investment Guidelines form. You will receive trade confirmations and statements directly from Schwab. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals.
- year-end tax planning.
- market moving events.
- changes in your goals and objectives.
- security specific events.
- changes in your risk tolerance.
- changes in your restrictions or portfolio model.
- the percentage of stocks/bonds is no longer consistent with the portfolio model.
- life altering event such as a death, job loss, etc.
- required minimum distributions.

Item 14: Client Referrals and Other Compensation

We do not give or receive compensation for referrals to or from accountants, attorneys or other professionals.

We are a Fee-Only firm. The definition of a Fee-Only is that the Advisor is compensated solely by the client with neither the Advisor nor any related party receiving compensation that is contingent on the purchase or sale of a financial or insurance product. The Advisor does not receive commissions, rebates, awards, finder's fees, bonuses, revenue sharing, or other forms of compensation from others because of a client's implementation of the recommendations.

We do not provide referrals to Schwab. We do not accept fees, commissions, or other remuneration from Schwab contingent on the execution of securities transactions.

By using Schwab as its custodian, we may receive a discount on software purchases, research, technology, or practice management products and services. The receipt of economic benefits in and of itself creates a potential conflict of interest and may influence our choice of Schwab for custodial services. The receipt of services from Schwab does not diminish our legal obligation and fiduciary duty to act in the best interests of our clients. It is also important to note that all custodians offer similar benefits.

Item 15: Custody

Clients may authorize us (in the client agreement) to debit fees directly from their account at the broker dealer, bank or other qualified custodian (“custodian”). The custodian is advised in writing of the limitation of our access to the account. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to the Firm.

Clients receive at least quarterly statements from the custodian that holds and maintains client’s investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the reports that we provide. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16: Investment Discretion

Unlike many other firms, we offer our clients the ability to have their assets managed on a discretionary or non-discretionary basis. The Investment Management agreement you sign will indicate the option you have chosen.

If you choose advice on a discretionary basis, then we may purchase or sell a security for your account(s) without obtaining your consent or approval prior to each transaction.

If you enter a non-discretionary arrangement with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

In either case, you may impose certain restrictions, for example avoiding companies involved in fossil fuels or tobacco. These instructions are recorded in a signed Investment Guidelines form and can be changed at any time with a new form.

Item 17: Voting Client Securities

Proxy Voting

We do not have any authority to and do not vote proxies on behalf of clients, nor do we make any express or implied recommendation with respect to voting proxies. Clients retain the sole responsibility for receiving and voting proxies that they receive directly from either their custodian or transfer agents. Clients may contact us for information about proxy voting.

Item 18: Financial Information

We have no financial commitments that impair our ability to meet contractual and fiduciary commitments to clients and we have not been the subject of a bankruptcy proceeding.

We do not require prepayment of fees of both more than \$1,200 per client, and more than six months in advance; and therefore, we not required to provide a balance sheet to clients.

Watters Financial Services, LLC
Form ADV Part 2B
Investment Adviser Brochure Supplement

16 Arcadian Ave., Suite C4
Paramus, NJ 07652
Phone: (201) 843-0044
Facsimile: (201) 843-1171
www.wattersfinancial.com

Timothy J. Watters
Colin R. Watters

February 2024

This Brochure Supplement provides information about the Firm's ("we," "us," "our") employees that supplements our Brochure. You should have received a copy of that Brochure. Please contact Timothy J. Watters, Member and Chief Compliance Officer, at (201) 843-0044 or www.wattersfinancial.com if you did not receive our Brochure or if you have any questions about the contents of this Supplement.

Additional information about our employee(s) referenced above is also available on the SEC's website at www.adviserinfo.sec.gov. You may search this site using a unique identifying number, known as a CRD number for each employee.

Item 2: Educational Background and Business Experience

Education and Business Background

We require that employees that provide investment advice have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisers must have work experience that demonstrates their aptitude for financial planning and investment management.

Timothy J. Watters, CFP®
CRD #: 1454057

Born: 1959

Business Background:

Watters Financial Services, LLC
Member, Principal, and Chief Compliance Officer

2007 to Present

Cambridge Investment Research, Inc.
Registered Representative

2003 to 2009

Timothy J. Watters, CFP®
Sole Proprietor and Registered Investment Adviser

1999 to 2007

Timothy J. Watters, CFP®
Sole Proprietorship

1986 to 2007

Decision Tree Media LLC
Website Design Applications

2001 to 2005

Fairleigh University
Teacher-CFP Classes

1992 to 2005

Washington Square Securities, Inc.
Registered Representative, IA Affiliate

1996 to 2003

Washington Square Securities, Inc.
Registered Representative

1993 to 1996

Green Hill Financial Service Corporation
Registered Representative

1986 to 1993

Formal Education after High School:

Pace University
Master of Business Administration in Finance & Marketing

State University of New York at Albany
Bachelor of Art in Psychology & Economics

Professional Designations:

CERTIFIED FINANCIAL PLANNER™

Colin R. Watters, CFP®
CRD #: 6153524

Born: 1989

Business Background:

Watters Financial Services, LLC
Owner and Client Advisor
Client Advisor

2018 to Present
2017 to 2018

Watters Financial Services, LLC
Associate

2015 to 2017

Scottrade, Inc.,
Investment Consultant

2013 to 2015

Joseph Gunnar & Co., LLC
Registered Representative

2013 to 2013

Joseph Gunnar & Co., LLC
Financial Consultant Trainee/Internship

2013 to 2013

Formal Education after High School:

The College for Financial Planning
Master's Degree in Financial Planning

Iona College
Bachelor's Degree, Criminal Justice

Professional Designations:

CERTIFIED FINANCIAL PLANNER™

Professional Certifications

Our employees maintain professional designations, which required the following minimum requirements:

CERTIFIED FINANCIAL PLANNER™ (CFP®)

Issued By	Certified Financial Planner Board of Standards, Inc.
Prerequisites	Candidate must meet the following requirements:

	<ul style="list-style-type: none"> • A bachelor's degree (or higher) from an accredited college or university, and • 3 years of full-time personal financial planning experience
Education Requirements	<p>Candidate must complete a CFP®-board registered program, or hold one of the following:</p> <ul style="list-style-type: none"> • CPA • ChFC • Chartered Life Underwriter (CLU) • CFA • Ph.D. in business or economics • Doctor of Business Administration • Attorney's License
Exam Type	CFP® Certification Examination
Continuing Education Requirements	30 hours every 2 years

Item 3: Disciplinary Information

Neither Timothy, nor Colin R. Watters have been involved in any activities resulting in a disciplinary disclosure.

Item 4: Other Business Activities

Neither Timothy, nor Colin R. Watters have any Outside Business Activities.

Item 5: Additional Compensation

No Supervised Person receives any economic benefit outside of regular salaries or bonuses related to amount of sales, client referrals or new accounts.

Item 6: Supervision

Timothy J. Watters, Member and Chief Compliance Officer, supervises all persons named in this Form ADV Part 2B Investment Adviser Brochure Supplement. Timothy J. Watters supervises these persons by holding regular staff, investment, and other ad hoc meetings. In addition, Timothy regularly reviews client reports, emails, and trading, as well as employees' personal securities transaction and holdings reports. Timothy J. Watters may be reached at (201) 843-0044.