

# **Dixon Financial Services, Inc.**

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**This brochure describes the qualifications and business practices of Dixon Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at 925.283.3104 or [invest@dfsinc.com](mailto:invest@dfsinc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Dixon Financial Services, Inc. is a Registered Investment Advisory firm. Being a Registered Investment Adviser does not imply any particular level of skill or training.**

**Additional information about Dixon Financial Services is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2      Material Changes**

Our last ADV Update was dated February 15, 2023. Since that time there have been no material changes.

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## **Item 4      Advisory Services**

Dixon Financial Services, Inc. (DFS) is a Registered Investment Advisory firm that has provided Investment Advisory services since 1989. The owner of and principal investment adviser representative for DFS is Michael Dixon. DFS has approximately \$830 million in regulatory assets under management as of December 31, 2023.

Our goal is to help our clients manage their financial assets to support their lifestyle objectives. Every client has different values, resources and lifestyle objectives, and we use these three factors as raw materials to work with each client to design a financial lifestyle plan. We begin by developing a document called an Investment Policy Statement (IPS) with each client. This document covers a client's investing goals, future financial desires and risk tolerance. In addition, each IPS contains a policy framework for investing a client's assets through our Asset Allocation Advisory Service. Asset Allocation is a process of creating a portfolio based on the three primary asset classes - stocks, bonds and cash. Using these, we create a diversified portfolio by purchasing mutual funds and occasionally Exchange Traded Funds (ETFs) that represent a wide range of sub-classes of these assets. For example, the stock portion of the portfolio may in part consist of a small cap US fund, a large cap international fund, and a large cap US fund. Our management of these accounts and each client's underlying objectives is an ongoing process. We work to keep the portfolios on track with their associated Investment Policy Statements, and with our clients to incorporate changes in their goals, resources and values into their IPS. Clients may impose restrictions on investing in certain securities or types of securities so long as such restrictions may reasonably be implemented by DFS.

Dixon Financial Services provides a number of other services, usually in conjunction with our advisory services discussed above. We often coordinate with attorneys, insurance representatives and accountants to help our clients with various aspects of financial and estate planning. We have no attorneys or accountants on staff, so we do not provide either legal or tax services, but we are happy to work with our clients' attorneys and accountants, and we do so periodically. Finally, we provide cash flow management services and general financial advisory services to small businesses when requested by our clients.

We do not participate in any wrap fee programs.

## Item 5 Fees and Compensation

Our current fee schedule is below.

<b>Client Assets</b>	<b>Per Annum</b>	<b>Per Quarter</b>
Up to \$250,000	1.50%	0.38%
Next \$250,000 to \$500,000	1.00%	0.25%
Next \$500,000 to \$1,000,000	0.75%	0.19%
Next \$1,000,000 to \$2,000,000	0.55%	0.14%
Amounts above \$2,000,000	0.40%	0.10%

Upon execution of the “Dixon Financial Services Investment Adviser Agreement” and the initial allocation of funds invested, prorated fees for the current quarter are due and payable. We deduct subsequent fees quarterly, in advance, from each client’s account based upon the market value of the account as of the last day of the previous calendar quarter. The Asset Allocation Advisory Service may be terminated by either party thirty (30) days after written notice. Any prepaid fees will be prorated from the date of termination and DFS will refund the difference.

In the event a client deposits \$50,000 or 1% (whichever is greater) of AUM more during a particular quarter, such client will be billed a pro-rata advisory fee based on the remaining number of the days in such quarter. Conversely, in the event a client withdraws \$50,000 or 1% (whichever is greater) of AUM more during a particular quarter, such client will be refunded a pro-rata advisory fee based on the remaining number of days in such quarter.

Accounts managed by DFS but serviced by another independent registered investment adviser or an asset management company will be separately billed by such independent investment adviser. The independent investment adviser may also bill accounts for our fees as well. The total amount of our fees and the independent investment adviser’s fees, on a percentage basis, is always approved in advance by each client and may be .1% to .5% higher than the fee schedule above, depending on the third party and the size of the account.

DFS does not negotiate fees. There may be certain exceptions in unusual situations, such as when we review and report on a client’s assets that we do not directly manage. In these instances, which we review on a case-by-case basis, we charge an administrative fee on either an hourly or a fixed-fee basis as quoted.

Our clients are responsible for additional fees and expenses not included in the above schedule. In general, all of our clients will incur transaction fees (commissions) from their custodian, as well as mutual fund fees. Unless specifically requested by a client, we do not purchase funds with sales fees, including front-end loads and surrender fees. This helps keep our clients’ costs down. A few clients incur custodian fees, including holding and maintenance fees for a small number of specific assets that we do not include in most accounts. Please refer to Item 12 of this

brochure for more details about brokerage (custodian) fees. Although we don't generally recommend annuities to our clients, some of our clients do have them and they are often subject to custodian fees.

Neither DFS nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

Dixon Financial Services does not charge performance-based fees.

## **Item 7 Types of Clients**

Dixon Financial Services has the following types of clients:

- Individuals who have personal investment or retirement accounts such as IRAs.
- Business owners who maintain investment accounts for the company or act as plan administrators for their company retirement and pension plans.
- Trustees who administer personal trusts for themselves, for their families, for an estate or for a charitable trust.
- Charitable Organizations that maintain endowment accounts or charitable accounts.
- Corporations that maintain accounts for non-profit organizations or associations.

### ***Account Requirements***

The minimum account size for a client of Dixon Financial Services is typically \$500,000. We may make, at our discretion, exceptions to this based on a variety of factors. These factors include, but are not limited to, considerations such as growth potential, relationship of a potential client to us or to a current client, and the type of client.

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

At DFS, we do not analyze or select individual securities. Instead, we focus on allocating our clients' investment dollars among three major asset classes: stocks, bonds, and cash. We then try to identify mutual funds that focus on providing broad exposure to major sub-classes in both domestic and international markets. This strategy is called Asset Allocation, and is derived from a Nobel Prize winning financial theory called Modern Portfolio Theory. This theory provides a framework for creating portfolios with expected returns based on a given level of risk by diversifying the portfolio's investments over a wide range of securities. Rather than directly holding large numbers of individual securities in our clients' accounts, we invest our clients' funds in a mix of mutual funds that hold a large number of securities in that fund's area of focus. For instance, a fund we use that focuses on large cap international stocks has holdings in over 500 companies. The allocation is determined by an asset mix we develop for each client by working with them to discover their financial needs, their goals and their overall feelings about risk. A client's asset mix typically includes Fixed Income Funds, Large Cap US funds, Small

Cap US funds, International Large Cap funds, and others. Each client's mix is part of their Investment Policy Statement. By holding a few carefully selected mutual funds, our clients can indirectly hold thousands of different stocks while keeping trading costs and trading frequency low.

We use mutual funds and occasionally ETFs from several different companies, but our focus is on mutual funds from Dimensional Fund Advisors (DFA). DFA's funds are largely developed using Modern Portfolio Theory, a core principle of our general investment philosophy. We use historical data from those funds or similar indices as part of our process to develop the asset mix for each client's Investment Policy Statement. The types of historical data used include returns, the standard deviation (a measure of risk) around those historical returns and correlation between asset classes. Correlation is a measure of how closely the price of a security moves in relation to the prices of other securities.

Dixon Financial Services also uses financial simulation programs to calculate the effect of various rates of return from different asset classes. These calculations help us develop investment plans for our clients.

Our strategy does not incur frequent trading. The strategy we use focuses on long term holdings and keeping a balance of asset classes. However, asset classes and the funds representing them usually have different returns over time, so our clients' accounts can get out of balance. To bring these accounts back in line with our clients' Investment Policy Statements, we review accounts for trading at least once per quarter, and trade only on those accounts that are significantly out of balance. Trades will also occur when a client deposits or withdraws money from an account, or if a client requests a trade. One of our goals at DFS is to minimize trading as much as possible. Frequent trading increases our clients' costs and may create a greater tax liability for them.

Our Asset Allocation Strategy is specifically designed to minimize risk by diversifying over a wide range of asset classes and sub-classes. While this strategy has the potential to reduce risk compared to a portfolio with only a few stocks, it does not eliminate risk entirely. Market risk, the risk of markets falling in response to economic downturns, political changes, new laws and other events, remains the biggest risk for this strategy. Market risk can include just a country or regional market, or can involve global markets. This is a risk common to all investments and investment strategies.

Investing in mutual funds does not guarantee a return on investment, and shareholders of a mutual fund may lose the principal that they've invested into a particular mutual fund. Mutual funds invest into underlying securities that comprise the mutual fund, and as such clients are exposed to the risks arising from such underlying securities. Mutual funds charge internal expenses to their shareholders (which can include management fees, administration fees, shareholder servicing fees, sales loads, redemption fees, and other fund fees and expenses, e.g.), and such internal expenses subtract from its potential for market appreciation. Shares of mutual



funds may only be traded at their stated Net Asset Value (“NAV”), calculated at the end of each day upon the market’s close. Clients are encouraged to carefully read the prospectus of any mutual fund to be purchased for investment to obtain a full understanding of its respective risks and costs.

Please be aware that investing in securities, including investment in our Asset Allocation Strategy, involves risk of loss, including loss of principal, which our clients should be prepared to bear.

## **Item 9      Disciplinary Information**

This item requires us to discuss any legal or disciplinary events that are material to a client’s or a prospective client’s evaluation of our advisory business or the integrity of our business.

Neither Dixon Financial Services nor its employees have any such events to discuss in this section.

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

The owner and certain employees of DFS are licensed insurance agents and from time to time sell life, health and disability insurance. Those individuals typically maintain license arrangements with several insurance companies as necessary to meet the needs of clients. They operate as independent agents without any special arrangement with any particular insurance company. The sale of insurance products accounts for less than 1% of the representative’s time of DFS.

DFS has entered into an agreement with Buckingham Strategic Partners, LLC. to make their Asset Allocation Advisory Service and other investment administrative services available to us. DFS does not receive any compensation directly from Buckingham Strategic Partners, but Buckingham Strategic Partners does offer services that are intended to directly benefit DFS, clients, or both. Such services include (a) an online platform through which DFS can monitor and review client accounts, create model portfolios, and perform other client account maintenance matters, (b) access to technology that allows for client account aggregation, (c) quarterly client statements, (d) invitations to Buckingham Strategic Partners’ educational conferences at a discount, (e) practice management consulting, (f) sponsorship of DFS seminars or client appreciation events, and (f) occasional business meals and entertainment. DFS attempts to mitigate this conflict by disclosing it to clients in this Form ADV and by requiring all representatives to follow DFS’s policies and procedures, which specifically note the fiduciary obligation to place client interests ahead of the individual representative’s or DFS’s. Fees for such programs may be higher or lower than if client directly obtained services of the third party manager or if client obtained advisory services separately.

Neither DFS nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither DFS nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

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

### ***Code of Ethics***

An employee or adviser of DFS will place the needs and best interests of our clients above the needs and interests of themselves or business associates in all cases, and will not allow the pursuit of financial gain or other personal benefit to interfere with the exercise of sound professional judgment and skills. A complete copy of our code of ethics is available upon request.

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

At times the interest of the accounts belonging to the owner and employees of DFS may correspond with client interests. At no time do any of these corresponding interests represent a material interest in the security involved.

DFS obtains information from a wide variety of public sources and has no direct sources of inside or private information. In the event that a conflict of interest arises that has significant financial implications to our clients, we will fully disclose it. All rules and regulations of the Investment Advisers Act of 1940 will be strictly enforced. Dixon Financial Services will maintain personal transaction records and will not permit insider trading.

### ***Personal Trading***

From time to time, the owners and employees of DFS invest in the same securities that DFS recommends to our clients and that clients hold in their accounts. This can be considered a conflict of interest in that we may have an incentive (our own investment) to encourage our clients to invest in a particular security; however, the securities we recommend to our clients are almost always mutual funds and are always large enough and liquid enough that neither our nor our clients' transactions can materially affect the price of the security. It is also possible that DFS or an employee of DFS could be buying or selling securities for our own accounts about the same time as the same securities are bought and sold for our clients. To avoid conflicts of interest here, neither DFS nor its employees may trade in advance of our clients' trades. In addition, neither DFS nor its employees will take an opposite position to one recommended to a client.

## **Item 12 Brokerage Practices**

DFS does not maintain custody of our client's assets that we manage, although we may be deemed to have custody of these assets if we are given authority by our clients to withdraw

assets from their accounts (see Item 15 – Custody). Our clients’ assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. The qualified custodian we recommend is Charles Schwab & Co., Inc. (Schwab). DFS is independently owned and operated and not affiliated with any qualified custodian, including the one we recommend. A qualified custodian holds our clients’ assets in their brokerage accounts and will buy and sell securities when instructed by our clients or by DFS using limited power of attorney if a client has approved.

While DFS recommends that our clients use Schwab, we do not require our clients to use a particular custodian. We do, however, have some restrictions. There are some custodians that do not integrate well with our computer systems and software. Because of this, we are not able to manage accounts held with those custodians. Regardless of the custodian chosen, our clients open their accounts directly with the custodian. We will assist in this process as required. Not all advisers require their clients to use a particular broker-dealer or other custodian recommended by the adviser.

### ***How We Select Brokers/Custodians***

We seek to recommend a custodian who will hold our clients’ assets and execute transactions on terms that we feel offer the best value when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our clients
- Availability of other products and services that benefit us and our clients, as discussed below (see “Products and Services Available to Us From Custodians”)

### ***Brokerage and Custody Costs***

The custodians that maintain accounts for our clients generally do not charge separately for custody services but are compensated by charging commissions or other fees on trades they execute or settle into each client’s account. Our clients are responsible for these fees. In very rare cases, and only at the request of a client, we may need to have a trade executed on an account by a broker that is different from the broker that is actually holding the account. In addition to commissions, this may result in a flat dollar amount called a “trade away” fee. These

fees are in addition to the commissions or other compensation our client pays the executing broker-dealer.

We have determined that having the recommended custodians execute trades is consistent with our duty to seek “best execution” of our clients’ trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How We Select Brokers/Custodians.”)

### ***Products and Services Available to Us from Institutional Service Programs***

The custodians that we work with provide a variety of support services that are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts with the custodian. If our clients collectively have less than \$10 million in assets, these custodians may charge us quarterly service fees of up to \$1,200. These services are not contingent upon us committing any specific amount of business to the custodian in trading commissions or assets in custody. Services that directly benefit our clients generally include software and support services that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Facilitate payment of our fees from our clients’ accounts
- Assist with back-office functions, recordkeeping, and client reporting
- Provide investment research and publications from the brokerage and from third party sources

In addition, there are also services custodians provide to us that do not help our clients directly but are intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefit providers, human capital consultants, and insurance providers
- From time to time, they also provide us with other benefits, such as occasional business entertainment of our personnel.

The availability of these Institutional Services free of charge from custodians benefits us, but creates a conflict of interest in that we have an incentive to direct our clients towards the particular brokerages that we receive these benefits from rather than a brokerage that might provide the most favorable execution. We believe that the execution methods and pricing

obtained from our recommended brokerages is very competitive and that the benefits our clients receive from the provided services outweigh the benefits of getting the least expensive trade. DFS does not consider, in selecting or recommending a custodian and/or brokerage, whether DFS or a related person receives client referrals from such custodian and/or brokerage, or any other third-party.

### ***Trade Aggregation***

Dixon Financial Services generally is not able to combine trades of the same security for multiple clients (trade aggregation) because we evaluate each account on an individual basis according to the needs and requirements of each client. This means it is possible we could buy or sell the same securities for different clients at the same or slightly different times. This may result in higher trading costs for our clients. In the rare cases where we are purchasing securities other than mutual funds, this also may result in pricing differences between clients. When we do aggregate trades, trading costs will be split proportionally between all client accounts involved in the trade.

## **Item 13    Review of Accounts**

### ***Account Reviews***

We review accounts on a quarterly basis to evaluate changes that may occur in the allocation of a client's portfolio due to the performance of individual asset classes relative to the allocation outlined in the client's Investment Policy Statement to determine if rebalancing should occur. Client needs or requests may result in a temporary deviation from the allocation in the Investment Policy Statement. In these cases, portfolios will not be rebalanced until we are otherwise instructed by the client. We review Investment Policy Statements as needed. DFS strongly encourages our clients to talk to us about any changes to their financial lifestyle needs or goals, or about significant life events such as a marriage or retirement. Changes like these will normally trigger a review of the client's Investment Policy Statement and the associated investment model. All reviews are done by either Michael Dixon or one of DFS' Investment Advisers. Finally, all daily transactions are reviewed and acknowledged by at least two employees.

### ***Reports***

DFS provides computer generated performance reports no less than on a quarterly basis for clients utilizing our Asset Allocation Advisory Service. This report includes both details and summaries of account performance and holdings.

Some accounts with DFS are managed by a third party advisory service (see Item 10 for more information). The third party service delivers quarterly statements to clients with such accounts.

All clients will also receive quarterly and annual statements from the custodian holding their accounts.

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

DFS does not pay cash or provide an economic benefit to anyone or any organization who introduces us to a client. Likewise, DFS does not receive any cash or other economic benefit for making referrals to other advisers or third party service providers.

#### **Item 15      Custody**

For clients that do not have their fees deducted directly from their account(s) and have not provided Dixon Financial Services with any standing letters of authorization to distribute funds from their account(s), Dixon Financial Services will not have any custody of client funds or securities. For clients that have their fees deducted directly from their account(s) or that have provided Dixon Financial Services with discretion as to amount and timing of disbursements pursuant to a standing letter of authorization to disburse funds from their account(s), Dixon Financial Services will typically be deemed to have limited custody over such clients' funds or securities pursuant to the SEC's custody rule and subsequent guidance thereto. At no time will Dixon Financial Services accept full custody of client funds or securities in the capacity of a custodial broker-dealer, and at all times client accounts will be held by a third-party qualified custodian as described in Item 12, above.

Clients of Dixon Financial Services will receive statements at least quarterly from the qualified custodians that maintain our clients' assets. We strongly encourage our clients to carefully review those statements. Clients should also take the time to compare these statements against the statements provided by DFS or one of our third party advisory services. Comparing these two sets of statements allows our clients to ensure that all transactions, including the deductions for the advisory fees, are proper and correct.

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

The Investment Policy Statement that each client signs to establish an Advisory Service relationship with Dixon Financial Services defines the discretion we have to buy and sell securities for our clients without their prior consent. This "discretionary authority" is limited to the purchase and sale of securities within specific asset classes approved by the client in the Investment Policy Statement, and must be done in accordance with the investment model outlined in each client's Investment Policy Statement or as otherwise approved by the client.

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

Dixon Financial Services does not vote proxies for clients. Most clients do not have individual stock holdings in their accounts, but for those who do, the proxy statements will be mailed by the account custodian directly to the client at the address the custodian has on file.

## **Item 18      Financial Information**

This section requires us to report any financial issues that DFS has that might make it difficult to meet our contractual obligations to our clients. We are also required to report any past bankruptcies here.

Dixon Financial Services is financially sound, does not have any past bankruptcies, and therefore does not have any items to report under this section.