

Investment Adviser  
Brochure Part 2A

## **Schmidt Financial Management, Inc.**

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

This brochure provides information about the qualifications and business practices of Schmidt Financial Management, Inc. If you have any questions about the contents of this brochure, please contact us at (425) 893-9195.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Additional information about Schmidt Financial Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The use of the term registered investment adviser does not imply a certain level of skill or training.

**April 1, 2024**

## **Item 2 – Material Changes**

The main address changed to:

100 State Street  
South Kirkland, WA 98033

The mailing address changed to:

218 Main Street, #403  
Kirkland, WA 98033

The Brochure will be amended anytime there is a material change, and this section will include a summary of any material changes.

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## **Item 4 – Advisory Business**

Schmidt Financial Management, Inc. ("SFM") was organized in 2003 but has been in the advisory business since 2023. Evan Schmidt is the principal owner.

### **Investment Management Services**

SFM will manage Client's household assets on a discretionary basis based on information regarding Client's investment goals and objectives, financial situation and tax status. This information will be provided initially by Client and updated periodically as material changes to Client's financial situation occur. Client grants SFM unlimited discretionary trading authority to select third party investment managers and execute securities transactions on behalf of Client without obtaining specific Client consent prior to each investment manager selection and each transaction. However, clients may impose restrictions on investing in certain securities or types of securities.

SFM will implement customized investment allocation utilizing unaffiliated third-party portfolio managers, mutual funds, ETF/ETNs and individual securities among other investments. SFM conducts a due diligence investigation, selection and monitoring process regarding various investment options utilized.

Household assets are comprised of Client assets held within custodial accounts linked to the Client household as agreed upon by Client and SFM. Household assets consist of cash, securities and debt instruments initially placed into the custodial accounts by Client plus all investments, reinvestments and proceeds of the sale of those assets, including, without limitation, all dividends, interest, appreciation and other additions, and additional custodial accounts established in the future that are agreed by Client and SFM to be included in household assets.

The third-party managers that have been retained to support the SFM will be licensed as investment advisers in the states where they conduct business or with the Securities and Exchange Commission. A copy of the disclosure brochure for each third-party investment manager will be provided prior to or when a client's assets are allocated to a manager.

### *Sub-Advisory Services*

SFM has entered into sub-advisory agreements with various independent investment advisers ("Sub-advisers"). Sub-advisers are often chosen because they possess certain expertise in securities or investment strategies that the Adviser does not have. Sub-advisory relationships enable SFM to offer clients a broader range of services.

Under separate agreement SFM will have the authority to allocate and reallocate client assets among various investment managers and will allocate assets to the Sub-advisers based on that authority. Sub-advisers are licensed as investment advisers by their resident states and other applicable jurisdictions or with the Securities and Exchange Commission.

SFM will gather information about a client's financial situation and investment objectives. The Sub-adviser will have the power and authority to supervise and direct all investment

decisions for those accounts designated by SFM on a discretionary basis, including the purchase and sale of securities and any other transactions unless specifically directed otherwise by the Adviser in writing.

The Sub-adviser will have discretionary authority to aggregate (combine) purchases and sales of securities with similar orders of non- SFM clients and proportionately divide up securities if unable to fill all orders. An account will be deemed to have purchased or sold its proportionate share of the securities at the average price determined for the overall transaction when transactions are aggregated. More information on the Sub-adviser's aggregation policies is shown in the Sub-Adviser's brochure.

### **Assets Under Management**

As of December 31, 2023, SFM manages \$0 in discretionary assets and \$0 in nondiscretionary assets for a total of \$0 in client assets.

### **Financial Planning & Consulting Services**

SFM provides financial planning and consulting services consistent with a client's financial and tax status, in addition to their risk tolerance and investment objectives. SFM gathers enough data to perform an analysis of client liabilities, cash flow, net worth and tax assessments. SFM also evaluates a client's insurance coverage and needs. SFM creates a Financial Roadmap that may incorporate but isn't limited to the following:

#### **Asset Management**

- Detailed Risk Tolerance Assessment
- Asset Allocation Optimization (including Held Away Accounts)
- Screening and Selection of Funds/Managers
- Investment Oversight
- Personalized, Regularly Updated Financial Plan
- Real Estate Transaction Analysis
- Strategic Portfolio Distribution

#### **Liability Management**

- Tax Planning / Minimization
- Estate Planning
- Education Funding Strategies
- Insurance Planning
- Trust & LLC Personal Liability Strategies

#### **Relationship Management**

- CPA
- Asset Manager
- Attorney
- Private Banking

- Trust Company
- Philanthropy
- Insurance Broker

### **Held Away Accounts**

We use a third party platform to facilitate financial planning and consulting services associated with held away assets such as defined contribution plan participant accounts. We do not have direct access to Client log-in credentials. We are not affiliated with the platform in any way and receive no compensation from them for using their platform.

### **Financial Planning Conflicts of Interest**

A conflict of interest is created whenever SFM or an associated person recommends products or services to a client for which SFM or an associated person receives compensation.

However, financial planning clients are under no obligation to act upon any recommendations of SFM or to execute any transactions through SFM or an associated person if they decide to follow the recommendations.

## **Item 5 – Fees and Compensation**

### **Investment Management Fees**

The SFM Advisory Fee is calculated by applying the annual Fee Schedule to the value of Client's managed assets, determined quarterly and calculated based on the current market value as of the last day of the prior quarter. A Client is defined as parents and their dependents. However, the assets of all lineal descendants of a common ancestor and their spouses or spousal equivalents can be aggregated for the purpose of determining billable assets. The SFM Advisory Fee will be debited from Client custodial accounts on a quarterly basis in arrears. The initial SFM Advisory Fee for the first calendar quarter (or part thereof) will be calculated on a prorated basis for the number of days remaining in the quarter and deducted from Client accounts following the end of the first quarter.

Fees are payable only after services are provided, there are no unearned fees and the client will not have a refund due upon early termination of the advisory agreement. However, the Adviser will prorate fees to the date of termination.

Clients will pay a SFM Advisory Fee as reflected below for managed assets and includes financial planning and consulting services (excludes held away assets):

	Assets Under Management	Annual Rate (%)
First	\$1,000,000	0.90%*
Next	\$1,000,000	0.80%
Next	\$2,000,000	0.70%
Next	\$4,000,000	0.60%
Next	\$7,000,000	0.50%

Next	\$10,000,000	0.40%
Over	\$25,000,000	0.30%

\*Subject to a minimum quarterly fee of \$2,000.

Clients will pay a SFM Advisory Fee of 0.50% for managed assets only (excludes financial planning and consulting services and held away assets).

Fees are subject to change upon the Adviser giving the Client thirty days written notice in the manner prescribed in the Agreement. Client has the option of accepting the new fee schedule or terminating the Agreement pursuant to the termination provisions of the Agreement.

The account custodian may charge fees, which are in addition to and separate from advisory fees. Accounts may incur transaction costs, retirement plan administration and access fees, mutual fund annual expenses and other fees. Clients should note that fees for comparable services vary and lower or higher fees may be charged by different providers for similar services.

Fees paid by clients to independent third-party managers are established and payable in accordance with the ADV Part 2A brochure or other equivalent disclosure document of each independent third-party manager to whom the Adviser allocates client assets and may or may not be negotiable. The facts and circumstances of negotiability are contained in the disclosure documents of each third-party manager. Please refer to your Client Agreement's Exhibit(s) for information on fees and costs pertaining to each of your selected third-party manager(s). These fees and costs will be charged separately and are in addition to fees and costs that are payable to the Adviser.

### **Financial Planning & Consulting Fees**

SFM may provide asset-based financial planning and consulting services related to Held Away Accounts for a Held Away Accounts Fee. The Held Away Accounts Fee is calculated by applying an 0.80% annual rate to the value of the Held Away Accounts determined quarterly and calculated based on the current market value as of the last day of the prior quarter. The Held Away Accounts Fee will be debited from Client custodial accounts on a quarterly basis in arrears. The Held Away Accounts Fee for the first quarter will be calculated on a prorated basis for the number of days remaining in the quarter and deducted from Client accounts following the end of the first quarter. If clients elect to implement recommendations their accounts may incur transaction costs, retirement plan administration fees, and other mutual fund annual expenses that are charged by broker-dealers, plan administrators or mutual fund companies that sell securities or provide additional services to Adviser clients. These fees are in addition to and separate from planning and consulting fees.

### **Receipt of Additional Compensation**

Neither the Adviser nor any supervised person is associated with any broker dealer or accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

SFM does not charge or receive, directly or indirectly, any performance-based fees.

## **Item 7 – Types of Clients**

SFM provides advisory services to:

- Individual – Trusts, estates, 401(k) plans and IRAs of a household count as one individual.
- High net worth individual – An individual who is a “qualified client” under rule 205-3 of the Advisers Act of 1940 or is a “qualified purchaser”.
- Business entities including sole proprietorships

## **Account Minimums**

SFM requires a minimum of \$1,000,000 to establish a new investment management relationship. However, the minimum may be waived at the sole discretion of the Adviser. The Adviser will continue to service existing accounts that have values that are below the minimum.

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

### **Method of Analysis**

SFM’s main sources of financial information are prospectuses, research materials prepared by others, corporate rating services, annual reports and company press releases.

SFM may utilize official statements, continuing disclosures and other information available through the MSRB's Electronic Municipal Market Access system (EMMA) when analyzing municipal securities.

### *Fundamental Analysis*

SFM uses fundamental analysis. Fundamental analysis involves predicting the price movement of an asset based on measures that are related to the underlying business. This method is used to judge the performance of management. (Although it is important to note that things outside of management’s control can impact performance.) Comparing the margins of the company and its relative performance to that of two or three of its peers will give an idea of whether the performance is potentially outside of management’s control.



### *Technical Analysis*

SFM uses technical analysis. Technical analysis involves predicting the price movement of an asset based on factors unrelated to the underlying business (price, volume, and open interest, among other factors, to detect and interpret patterns to predict the movement of individual securities, an industry or the broad market).

Charting is a subsector of technical analysis and also focuses on predicting price movements of assets based on patterns that are formed by the price movements. SFM may recommend one or a combination of assets and investment strategies as follows:

### **Mutual and Exchange Traded Funds**

SFM recommends index and actively managed, mutual and exchange traded funds when designing client portfolios. SFM considers index funds based on how closely the funds' characteristics mirror the indices they track. SFM analyzes actively managed funds by comparing funds that target the same market sector and have the same investment style using prospectuses and other sources of information. SFM reviews the following prior to recommending funds to clients:

- Rank in Category over various periods
- Return Rating
- Risk Rating
- YTD Return (Outsize swings in comparisons to peers can be a sign of risky practices such as placing large bets on certain sectors of the market.)
- 1 Yr. Return
- 3 Yr. Return
- 5 Yr. Return (Typically over a five-year period, the economy experiences a complete cycle. However, the way in which a manager operates in various economic environments reflects the manager's ability to make adjustments or stay the course.)
- Loads
- Total Expense Ratios
- Turnover
- Median Market Capitalization
- Morningstar Ratings

SFM also takes the manager or management team tenure under consideration to determine who was responsible for generating the performance numbers.

### **Public Equity**

A corporation may issue stock to the general public after registration. Stock represents an ownership interest in a company. SFM uses valuation measures and financial information, evaluates the regulatory environment, analyzes products or services that are available or under development and the factors that can impact them to predict the price movement

of a company's stock. SFM also makes comparisons to the company's peers and to the broader market.

### **Corporate Debt & Municipal Securities**

SFM generally analyzes the current yield, yield to maturity, yield to call, call and default risks, and interest coverage. Debt is issued by federal, state and foreign governments and corporations to finance their operations. Debt represents their promise to repay the borrowed amount with interest according to the terms and conditions of the debt instrument. Debt obligations offer limited participation in the upside of a business. In exchange holders receive interest and a position that is generally senior to equity in a bankruptcy.

### **Private Securities**

Some securities are acquired in unregistered, private sales from the issuer or from an affiliate of the issuer typically through, Regulation D or other private placement offerings or employee stock benefit plans, as compensation for professional services, or in exchange for providing start-up capital. SFM reviews the applicable offering documents. SFM may analyze:

- Management structure
- Backgrounds of management personnel
- Management and director compensation
- Financial statements
- Regulatory environment
- Competitors
- Products and services differentiators
- Threats to a company's ability to execute its business plan

In the case of pooled investments SFM may also analyze:

- Allocation of profits, losses and taxes
- Custody of securities and cash
- Lock-up period or any limitations towards the redemption of interest
- Exemptions from registration and types of investors
- Investment strategy, objective and the use of leverage
- Conflicts and potential conflicts of interest
- Performance information Gross or Net and how calculated
- Valuation particularly of illiquid securities and hard assets

### **Investment Strategies**

SFM tailors its portfolio design and distribution strategies for each client based on their unique goals, risk tolerance and personal circumstances. SFM does not use rigid model portfolios. SFM meets with clients on a regular basis to ensure their plan continues to fit their evolving circumstances and risk parameters.

SFM incorporates analysis and decision-making along a number of intertwined aspects of a client's financial life. SFM broadens its focus beyond investment management to incorporate the distinct aspects of a client's financial plan into a coherent roadmap for reaching their personal and financial goals.

### **Risk of Loss**

Clients are advised that investing in securities involves the risk of loss of the entire principal amount invested including any gains. Clients should not invest unless they are able to bear this risk. Any of the above investment strategies may lead to a loss on investments. Even hedging strategies may fail if markets move against the hedged investments. In addition, investing carries with it, opportunity risk. It is impossible to accurately predict the sectors of the market or asset classes that will have more favorable returns for a given period.

### **Item 8.A – Frequent Trading of Securities**

SFM is not involved in the frequent trading of securities.

### **Item 8.B – Material Risks of Particular Securities**

SFM doesn't recommend any type of security that involves significant or unusual risks except for the following which may present material risks to investors:

**Municipal Securities** – Municipal securities are backed by either the full faith and credit of the issuer or by revenue generated by a specific project (like a toll road or parking garage) for which the securities were issued. The latter type of securities could quickly lose value or even become virtually worthless if the expected project revenue does not meet expectations.

**Private Securities** – Private securities investments should be considered long term and illiquid. There are typically no secondary markets in which these types of investments trade. Therefore, if the value of the underlying assets should decline, the value of the investment would also decline and unlike other types of securities, an investor may find it hard to quickly sell shares in an illiquid market.

#### *Partnership Interest*

Investment partnerships are typically composed of a limited number of partners and at least one general partner. The liability of the limited partners is restricted to the amount of each partner's investment. The liability of the general partner is theoretically unlimited and extends beyond the amount invested to personal or corporate assets. Because of this increased exposure, the general partner manages the partnership, makes the investment decisions and receives management fees and a higher portion of the return on partnership investments.

Clients should consult SFM if they have questions concerning the basic characteristics of these or other investment products or about the risks and potential rewards of investing.

## **Item 9 – Disciplinary Information**

SFM does not have any disciplinary information to disclose.

### **Item 9.A – Criminal or Civil Actions**

Neither SFM nor any management person has been found guilty of or has any criminal or civil actions pending in a domestic, foreign or military court.

### **Item 9.B – Administrative Proceedings**

Neither SFM nor any management person has any administrative proceedings pending before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

### **Item 9.C – Self-Regulatory Organization (“SRO”) Proceedings**

Neither SFM nor any management person have been found by any SRO to have caused an investment-related business to lose its authorization to do business, or to have been involved in violating the SRO’s rules, or were barred or suspended from membership or from associating with other members, or were expelled from membership, otherwise significantly limited from investment-related activities, or fined.

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

### **Item 10.A – Broker-Dealer Registration**

Neither the Adviser nor its management persons is or owns a securities broker-dealer or has an application for registration pending. No associated person of the Adviser is a registered representative of a broker-dealer.

### **Item 10.B – Futures Commission Merchant/Commodities**

Neither SFM nor any management person is a commodity broker/futures commission merchant, a commodity pool operator or commodity trader, for the foregoing entities; nor do they have any registration applications pending.

### **Item 10.C – Relationships with Related Persons**

Neither the Adviser nor any of its management persons have any material relationships with related persons that create a material conflict of interest with clients.

### **Item 10.D – Relationships with Other Advisers**

Neither SFM nor any of its management persons have any other material relationships or conflicts of interest with any related financial industry participants.

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

### **Item 11.A – Code of Ethics**

SFM has adopted a Code of Ethics that sets forth standards of conduct expected of advisory personnel and to address conflicts that arise from personal trading by advisory personnel. Advisory personnel are obligated to adhere to the Code of Ethics, and applicable securities and other laws.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. SFM will provide a copy of the Code to any client or prospective client upon request.

### **Item 11.B – Participation or Interest in Client Transactions**

#### **Principal Trading**

Neither SFM nor any affiliated broker-dealer affects securities transactions as principal with SFM's clients. Neither SFM nor any associated person acting as a principal, buys securities from (or sells securities to) clients, acts as general partner in a partnership in which Adviser solicits client investments, or acts as an investment adviser to an investment company that SFM recommends to clients.

#### **Agency-Cross Action Transactions**

Neither SFM nor any associated person recommends to clients, or buys or sells for client accounts securities in which SFM or an associated person has a material financial interest.

### **Item 11.C – Personal Trading by Associated Persons**

SFM recommends that clients invest in various types of assets. SFM and its associated persons may invest in the same types of assets. Permitted investments for associated persons are all asset classes. See Item 11.D for information concerning conflicts of interest.

### **Item 11.D – Conflicts of Interest with Personal Trading by Associated Persons**

Associated persons may own an interest in or buy or sell for their own accounts the same securities, which may be recommended to advisory clients. Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients and their personal transactions are regularly monitored.

Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may also buy or sell a specific security for their own account based on personal investment considerations, which SFM does not deem appropriate to buy or sell for clients.

## **Item 12 – Brokerage Practices**

### **Item 12.A – Factors in Selecting or Recommending Broker-Dealers**

SFM designates a broker-dealer ("Broker") to provide trade execution and custodial services. In selecting the Broker, SFM may consider not only available prices and commission rates, but also other relevant factors such as execution capabilities, research and other services provided by the broker-dealer.

SFM will have the authority to affect transactions for the Accounts with or through any broker-dealer or bank if SFM believes that "best execution" of transactions may be obtained through such other broker-dealer or bank. Client agrees to furnish any such broker-dealer or bank such authorizations as any of them or SFM may request to implement the agreed upon services.

SFM does not refer clients to particular broker-dealers in exchange for client referrals from those broker-dealers. SFM does not recommend that clients direct their brokerage business to any particular broker-dealer.

### **Item 12.B – Trade Aggregation**

SFM's investment strategies do not present an opportunity to aggregate trades. Refer to the brochures of third-party managers and Sub-advisers for information about their aggregation policies.

## **Item 13 – Review of Accounts**

All accounts are subject to a regular and ongoing review in an active management style to assure conformity with client objectives and guidelines. Accounts are reviewed in light of emerging trends and developments as well as market volatility. In addition, a change in the client's investment objective or financial situation may trigger a review.

Clients receive confirmations of transactions and statements of positions from the account custodian, either via mail or secure online view, no less than quarterly. Client account status from custodian, including balances, holdings and transactions are available for online client view via a secure portal.

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

On occasion, SFM may refer clients to other professionals for services that SFM is unable to perform. In turn, SFM may receive referrals from these firms.

Although there is no direct monetary benefit derived from these arrangements, they are mutually beneficial and provide an indirect benefit. SFM will never base its referrals solely on any formal or informal arrangement.

### **Item 15 – Custody**

SFM doesn't accept custody of client funds or securities. Client assets are held by qualified custodians. Clients will receive accounts statements from the broker-dealer, bank or other qualified custodian, and clients should carefully review those statements.

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

SFM will have unlimited discretionary trading authority to select third party investment managers and execute securities transactions on behalf of Client without obtaining specific Client consent prior to each investment manager selection or each transaction.

SFM assumes this discretionary authority upon the execution of a limited power of attorney agreement by the Client. SFM will have discretion over the selection of the broker to be used but not the commission rates to be paid (refer to 12.A for additional information).

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

SFM does not accept authority to vote proxies on behalf of clients as a matter of policy. However, some sub-advisors may vote proxies. Clients will receive their proxy information directly from their custodian or a transfer agent or from SFM. Clients may contact SFM with questions about a particular solicitation by telephone at (425) 893-9195.

### **Item 18 – Financial Information**

SFM doesn't accept \$1,200 six months in advance of providing services or have custody so no audited balance sheet is being provided. There is no financial condition that is reasonably likely to impair the SFM's ability to meet its contractual commitments to its clients.