

# Schaefer Financial Management, Inc.

(a Registered Investment Adviser)

## Client Brochure

(SEC Form ADV- Part 2A)

March 31, 2024

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*This brochure has been prepared pursuant to Rule 204-3 of the Investment Advisors Act of 1940 to provide information to clients and prospective clients of Schaefer Financial Management, Inc. with an overview of our services, methods, compensation, qualifications and conflicts of interest that may exist in any engagement. If you have any questions about the contents of this brochure, please contact us at (303)770-6700. The information in this brochure has not been approved by or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with these regulatory agencies does not imply a certain level of skill or training. Additional information about Schaefer Financial Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2: Material Changes**

There are no material changes in this brochure from Schaefer Financial Management, Inc.'s last annual update of the brochure on March 31, 2023. Material changes relate to Schaefer Financial Management Inc.'s policies, practices or conflicts of interest only.

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## **Item 4: Advisory Business**

### **Description of Our Firm**

Schaefer Financial Management, Inc. was formed in 1989 by Jeffrey A. Schaefer. The Firm operated as a sole proprietorship until 2001 when it was incorporated as Schaefer Financial Management, Inc. (a Colorado Corporation). Jeff has served as the Firm's sole owner and President since the Firm was formed.

The Firm provides financial planning, financial management and investment management services to a variety of clients and to other professional advisors. Our objective in working with each client is to provide the client with information and education so that the client may make better financial decisions geared toward the realization of objectives.

While our services encompass a wide variety of areas, most engagements involve two distinct phases. The first is the development of a financial plan. Rather than relying on boiler plate language and analysis, our focus is on addressing the unique goals and challenges of each client and tailoring strategies to meet those goals on an integrated basis. The second phase of a typical engagement involves the ongoing management, on a non-discretionary basis, of investment assets. The scope of services provided, and method of compensation, is different for each broad area.

### **Types of Advisory Services We Offer**

#### **Financial Planning: *Scope of Services***

In the area of financial planning, we provide a wide range of services to our clients, ranging from single need consultations to comprehensive financial plans designed to integrate every aspect of the client's financial situation. Among the services provided are:

1. Cash flow management and budget counseling.
2. Analysis of debts, including consideration of appropriate consolidation or refinancing strategies.
3. Analysis and recommendations for educational financing.
4. Analysis and recommendations for retirement financing.
5. Analysis of employer provided benefit plans.
6. Risk management analysis, including examination of current insurance coverage (life, health, long-term care, disability, overview of property and casualty).
7. Tax planning, including strategies to reduce current and future taxable income and transfer tax liabilities.
8. Business planning.
9. Review of current estate plan and consultation with counsel regarding appropriate revisions to documents, strategies, etc.
10. Analysis of property ownership arrangements.
11. Development of charitable gifting strategies.
12. Preparation of personal financial statements.
13. Analysis of portfolio holdings and recommendations, as needed, for revisions to client's portfolio strategy.

An engagement may include any or all of the above listed areas. In addition, we will address other areas of client need, if, in our sole and exclusive judgment, we are adequately equipped to competently advise the client in the area in question.

#### ***Financial Planning: Process***

Our approach to financial planning centers around the belief that financial planning is primarily a problem-solving process designed to provide clients with superior information with which to make financial decisions. As a result, our planning process is a straight forward, common sense approach to solving problems that includes the following steps:

1. Gathering of data from the client, including information about the client's goals and objectives.
2. Analysis of the data, with particular attention paid to the client's current position in the light of stated goals and objectives.
3. Preparation of a written analysis, including examination of alternative courses of action and a recommended set of steps for the client.
4. A meeting to discuss the analysis and recommendations with the client.
5. Implementation of the plan. Of course, at no time is the client under any obligation to implement, in whole or in part, any of our recommendations, which are purely advisory in nature.
6. Ongoing review of the plan and its implemented steps. While a client is never under any obligation for ongoing, periodic reviews, it is our belief and experience that planning may lose its relevance and validity if changing economic, market and personal circumstances are not accounted for.

It is important to emphasize that each client engagement involves a unique set of circumstances and problems. As a result, no two engagements are alike, and the scope of services provided will vary from client to client. This flexible approach means that computer generated "boiler plate" planning is not part of our process. In addition, we are acutely aware of the need to control costs. By only focusing on those areas of concern for the client, unnecessary work and costs can be eliminated.

### ***Financial Planning: Reviews/Reporting***

As noted above, while a client is never under any obligation to engage in any sort of ongoing review, it is strongly recommended that the client do so.

The value of financial planning will quickly be lost if a client fails to monitor the progress of their plan or implemented steps. In addition, as economic and personal changes occur, it is necessary to modify assumptions and projections to accurately take these developments into account. This can only be accomplished through a systematic, ongoing review process.

All reviews will be overseen by Jeffrey A. Schaefer, CFP® and conducted by a professional member of the staff of Schaefer Financial Management, Inc. It is suggested that reviews take place at least annually and more frequently if client changes dictate. At the present time no regular reports are disseminated to clients regarding their plan or status, other than statements and summaries issued by investment or insurance companies. Please note that these reviews of financial planning issues are separate from the investment plan reviews discussed below.

### ***Investment management and implementation***

While the goals and objectives of any given client will be unique, a common thread that runs through most engagements is the need for investment advice, implementation assistance and ongoing portfolio management. We provide these services via one of two service models, as described below. It is important to bear in mind that implementation of any recommendation that we make is always at the discretion of the client. Schaefer Financial Management, Inc. will never take discretion, dominion or custody of client assets. Moreover, the client is never under any obligation to use our services to implement any part of or the entire plan. The client may use any insurance agent, stockbroker, attorney or accountant that they desire. If, however, the client desires our assistance with implementation, we will provide such services.

### ***Investment advisory services – ongoing management and quarterly reviews***

For most clients, a review of their investment portfolios and the development of recommendations for changes to their portfolio are part of a comprehensive financial plan as described above. At the sole discretion of Schaefer Financial Management, Inc., however, we may provide an initial review of investments and the development of an investment policy consistent with individual needs and objectives as well as ongoing investment supervision on a stand-alone basis. In either instance, there are several areas to be addressed in the development of an investment plan, including:

1. Review of present holdings in light of sound investment management practices and individual goals.
2. Development of an investment policy and asset allocation model.
3. Development of an implementation plan including the selection of specific securities.

If a review of the investment portfolio is part of the development of a comprehensive financial plan, the fee for such a review will be included in the financial planning fee quoted in Item 5: Fees and Compensation. If the investment planning engagement is a stand-alone engagement, a flat fee will be quoted for the development of the investment plan, with a **minimum fee of \$2,500**.

Upon the completion of an investment analysis, Schaefer Financial Management, Inc. will provide assistance with the implementation and ongoing supervision of the client portfolio. While clients will always receive monthly statements from their custodian as well as transaction confirmations, Schaefer Financial Management, Inc. will provide a comprehensive report to each Investment Advisory Client on a quarterly basis. This report will include an analysis of the portfolio values, asset allocation and performance on both an individual asset and portfolio wide basis. Performance will also be reported on an absolute and relative basis and will be compared to broad market indices.

Methodology and security selection is discussed in Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.

### ***Investment Advisory Services – Ongoing Management and Annual Reviews***

Some clients are not desirous of, or in need of, regular quarterly reviews of their portfolio. For these clients, services can generally be confined to the development of an investment plan and annual reviews of the portfolio.

In providing these services, the model outlined above for Investment Advisory Services will generally be followed. The firm will perform the following services:

1. Review of present holdings in light of sound investment management practices and individual goals.
2. Development of an investment policy and asset allocation model.
3. Development of an implementation plan including the selection of specific securities.

Once again, most investment analysis will be conducted as part of a comprehensive financial plan. As noted above, if the investment planning engagement is a stand-alone engagement, a flat fee will be quoted for the development of the investment plan, with a **minimum fee of \$2,500**.

Upon the completion of an investment analysis, Schaefer Financial Management, Inc. will provide assistance with the implementation and ongoing supervision of the client portfolio. While clients will always receive monthly statements from their custodian as well as transaction confirmation, Schaefer Financial Management, Inc. will provide a comprehensive report to these clients on an annual basis. The month-end anniversary date varies for each client and is set by the Firm and the client at the outset of the engagement. While client holdings will be reviewed throughout the year, this service is intended to be a “buy and hold” approach to the portfolio and will, by extension, not seek to take advantage of the same range of tactical opportunities that may be presented to quarterly review clients. Each annual review report will, however, include an analysis of the portfolio values, asset allocation and performance on both an individual asset and portfolio wide basis. Performance will also be reported on an absolute and relative basis and will be compared to broad market indices.

Methodology and security selection is discussed in Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.

## ***Insurance Implementation***

If a need for insurance coverage for life, disability or long-term care insurance is identified, we will assist clients in the process of shopping for and purchasing suitable coverage. The process of comparison shopping for insurance coverage is time intensive since it involves the comparison of many variables and a good deal of data. We will generally charge on an hourly basis at the rate of \$250 per hour for our assistance in this area, with a minimum charge of \$500. If insurance planning is part of the development of a larger financial plan, the fee for insurance planning may be bundled with the planning fee. We do not maintain insurance licenses, but rather make recommendations to clients for no-load insurance coverage or refer our clients to licensed insurance agents for specialty products.

## **Amount of client assets we manage**

At the end of 2023 we managed \$888,301,693, all on a non-discretionary basis.

## **Item 5: Fees and Compensation**

### **Fee schedule and payment of fees**

#### ***Fees and Compensation: Financial Planning***

Compensation for financial planning services is on a fee basis. The **minimum** initial fee for financial planning services is **\$2,500**. Prior to any financial planning work being commenced, we will provide a proposal that outlines the scope of work to be included in the engagement, and our fee for the completion of that work. This turnkey fee quote is designed to eliminate the uncertainty and confusion that is inherent in an hourly billing arrangement. Should the engagement expand or should there be additional planning work required after the development of the initial plan, such work will be billed at the rate of \$250 per hour. While reviews are not required, they are encouraged. A financial plan is necessarily a dynamic document that should be reviewed as time passes, or circumstances change. When reviews are conducted, they are billed at the rate of \$250 per hour with a four-hour minimum. A deposit of \$500 is required at the time that the Planning Agreement is executed. This deposit is applied, in full, to the planning fee. The engagement may be terminated at any time by either party. Work completed up until the time of termination will be billed at \$250 per hour.

Although it is our preference to develop comprehensive plans, we may from time to time agree to perform consultations on more narrowly focused issues on a one-time basis. Charges for consultations of this type will be billed at the rate of \$250 per hour. Special Projects will be handled on a negotiated basis depending upon the nature and complexity of the task.

A prospective planning client should have an investable net worth of \$500,000 and/or an annual income of at least \$250,000. ***We may, in our sole discretion, waive these minimum requirements.***

#### ***Fees and Compensation : Investment Management, Quarterly Reviews***

The minimum required size for new managed account relationships is \$500,000. Family assets will be combined for purposes of meeting this minimum (i.e., spousal accounts, custodial accounts, retirement plans, educational accounts, etc. are combined to determine portfolio size). ***Schaefer Financial Management, Inc. may, in its sole discretion, waive this minimum account size.***

Fees for investment management services will be computed as a percentage of the assets under management. Assets under management will be determined on the final business day of each quarter, using closing bid prices for all securities as reported

by custodians. In the event that a client portfolio contains non-marketable securities (i.e., limited partnerships, etc.), historical cost will be used unless a more reasonable value estimate is available. Quarters will correspond to the client's anniversary date rather than calendar quarters. In the case of fixed income securities, accrued interest may also be considered in computing assets under management. The percentage scale is as follows:

<u>Account Size</u>	<u>Annual Percentage Fee</u>
First \$500,000	1.0%
Next \$500,000	.8%
Next \$1,000,000	.6%
Next \$3,000,000	.4%
Next \$5,000,000	.2%
Above \$10,000,000	Negotiable

Schaefer Financial Management, Inc. reserves the right to negotiate alternative fee schedules in its sole discretion. Fees are payable in arrears and are billed on a quarterly basis by applying the annual percentage fee to the total assets under management on the last day of the quarter and dividing the result by four (4). Fees will be pro-rated for clients commencing or terminating the service during a quarter.

All fees are due and payable in full within ten (10) days of our receipt of an invoice. If the client elects, they may have fees deducted directly from their Schwab account, with a copy of the invoice sent to the client. We retain the right to terminate the investment management agreement for any client whose account is fifteen (15) days past due.

### ***Fees and Compensation: Investment Management, Annual Reviews***

Effective January 1, 2021, the fee for annual reviews is payable upon billing at the end of the client's annual review year, is not negotiable, and will be .5% of the investment assets, with a minimum fee of \$1,250 per year. The fee for annual reviews is payable upon billing at the end of the client's annual review year end.

### ***Fees and Compensation: Other Services***

Fees and Compensation for Insurance Implementation services are discussed at Item 4: Advisory Business.

### ***Clients are responsible for Third-Party Fees***

Our fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses which might be charged to the client by custodians, brokers and other third parties. Mutual funds and exchange traded funds charge management fees in addition to standard brokerage commissions. Clients are responsible for the payment of these third-party fees. We do not receive any portion of these commissions, fees, expenses and costs. See Item 12: Brokerage Practices below for information concerning our relationship with Charles Schwab & Co., Inc., a registered broker/dealer who acts as a broker for our clients' securities transactions.

### ***Prepayment of Fees***

No prepayment of investment management fees is required as they are billed at the conclusion of a billing period as explained above.

If client engagements for financial planning services are terminated before completion, client deposits less billed hours of work will be promptly returned to the client.



## ***Outside compensation for the sale of Securities to Clients***

Neither Schaefer Financial Management, Inc. nor its management and staff accept any 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**

We do not accept performance-based fees of any kind. Performance-based fees are fees that an Adviser accepts that are based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle).

Side-By-Side Management refers to arrangements where an Adviser manages both accounts that are charged a performance-based fee and accounts that are charged another type of fee.

## **Item 7: Types of Clients**

We generally provide investment advice to these types of clients:

**Individuals**

**Pension and Profit-Sharing Plans**

**Trusts, estates, and charitable organizations**

Our requirements for opening or maintaining an account, including minimum account size, are discussed above in Item 4: Advisory Business and Item 5: Fees and Compensation.

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

At Schaefer Financial Management, Inc. we are not market timers. Instead, we believe that most investors will realize superior results over time by applying the principals of modern portfolio theory to the management of individual portfolios. The focus of modern portfolio theory is necessarily on long-term results. This is consistent with financial planning that emphasizes the realization of goals and objectives rather than the mere accumulation of assets. Our investment management process helps clients to focus on the two key issues in developing a portfolio, time frame and asset allocation. **Clients need to be aware that investing in any security involves varying degrees of risk of loss which they should be prepared to bear.**

**Time Frame** refers to the duration of time that the investor can commit funds for. This dictates a tremendous amount of the structure of a portfolio. For instance, the inherent volatility of stocks makes them an inappropriate investment for an investor whose time frame is less than three years. In contrast, however, the long-term growth potential of equities makes them the most important part of the portfolio for an investor with a time frame in excess of five years. Realistically assessing time frame and the level of risk that an investor can take is an important part of the development of an investment plan.

**Asset allocation** refers to the relative portions of a portfolio that an investor chooses to place in the various broad asset categories. Studies have shown that the asset allocation decision determines over 90% of portfolio performance over time. Security selection and market timing are, by comparison, responsible for less than 10% of performance. The firm's role is to help the client understand this and to develop a suitable allocation model.

Within the broad asset allocation categories that a client establishes, opportunities do exist to make tactical adjustments to portfolio holdings from time to time. These opportunities may present themselves and be recommended as part of the periodic rebalancing of a portfolio. Asset allocation requires that, on a periodic basis, assets in the portfolio be rebalanced to the prescribed category weights. Assets must also be periodically reallocated to account for changes in performance and the correlation of returns between different asset categories. Such rebalancing will generally involve shifting from one mutual fund or security to another. For tax purposes, rebalancing transactions can create taxable income. We are extremely tax sensitive in all of the management work that we do, and our focus is on optimizing each client's after-tax return. This may dictate different allocations for a client's taxable and tax deferred (i.e., IRAs, Roth IRAs, 401(k)s, 403(b)s, Keoghs, SEP IRAs, etc.) accounts.

While we offer our services on either a non-discretionary or a discretionary basis depending upon client preferences, we do not currently have any relationships where we exercise discretion and we do not envision taking on this responsibility. We never have any level of custody over client funds or securities. Non-discretionary clients can, however, grant us the authority to execute orders on their behalf after the client has approved the recommendation. In a typical situation, we will make a recommendation by phone, email or written correspondence. If the client approves of the transaction verbally or in writing, we will accept responsibility for the execution of the order with the client's custodian of choice. After the transaction is completed, the client will receive notification from their custodian via a confirmation statement

For most clients, no-load mutual funds and other pooled types of investment products (i.e., exchange traded funds, etc.) provide the best combination of diversification, professional security selection, lower transaction costs and convenience. As a result, those are the types of securities that we emphasize. However, from time to time, we may recommend that a client utilize the services of separate account managers to construct portfolios of individual securities. Separate account managers may offer more cost-effective investment management services for larger accounts, but their primary advantage involves tax efficiency. With the wide spread that now exists between ordinary income and capital gains tax rates, having a tax efficient portfolio is very important, and for larger accounts, the separate account manager may be one way to achieve this tax efficiency. From time to time we may also recommend various pooled, non-listed securities. This may include but is not limited to non-publicly traded real estate investment trusts, non-publicly traded business development companies and interval funds which, though organized as registered investment companies offer more limited ability to buy and sell shares.

Individual stocks and bonds may also be used in the implementation of portfolio recommendations. Often, new clients bring with them existing security positions that for investment or tax reasons should remain part of a portfolio. In these instances, our job is to integrate these existing positions within the diversified portfolio and manage them actively. In other instances, individual stocks or bonds may offer a more cost-effective way to invest. Finally, tactical opportunities or compelling valuations may point toward the use of individual securities.

## **Sources of Information**

In providing financial planning and investment advisory services to our clients, we rely on many sources of information. We do not, however, rely on any "soft dollar" arrangements for research. "Soft dollars" refer to the practice of directing brokerage commissions to particular broker dealers in exchange for credits to be applied to research or technology services.

The following lists those sources of information that are, by their nature, comprehensive but not complete:

Wall Street Journal  
Barron's  
Bloomberg Terminal  
BNA Tax Portfolios  
Morningstar Direct  
CFP Today  
BNA Tax Management-Income Tax Projection Software  
Investment Advisor

Investors FastTrack  
Advisor Intelligence  
Bianco Research  
Ned Davis Research  
Bespoke Investment Group Premium  
Grant's Interest Rate Observer  
MRB Research  
YCharts

In addition, we will rely heavily upon information obtained directly from mutual funds and ETFs in the form of periodic reports and news releases. Most importantly, we rely on contact with managers, either in person or via phone, to help evaluate fund choices.

### **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management and staff.

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

Schaefer Financial Management, Inc. is a Colorado corporation. Jeffrey A. Schaefer, CFP® is the President and sole shareholder of Schaefer Financial Management, Inc. In the course of our business, we maintain a number of relationships which are material to our operations. At the present time, however, none of these should represent any conflict of interest to any client, as we maintain no licenses for the sale of any product including securities and insurance. ***We are fee only financial advisors.***

From time to time, we may refer clients to outside service providers including attorneys, accountants, mortgage bankers, insurance agents or other professionals. Charges for services from these providers will be billed directly to the client and will be the client's expense entirely. **We do not accept any payments from any third party for any referrals.**

See Item 12: Brokerage Practices below for information concerning our relationship with Charles Schwab & Co., Inc., a registered broker/dealer.

### **Item 11: Code of Ethics, participation or interest in client transactions and personal trading**

From time to time, we may recommend that a client purchase or sell a security in which we are also investors. In general, when this occurs, it will be related to the pooled types of investments described earlier and any positions that we hold will not be of material significance. There may be instances, however, when we will recommend to the client the purchase or sale of individual securities that we have a position in. Once again, our holdings and activity will not be material to the positions in question. Individual holdings may differ from client holdings due to the fact that each client's portfolio and needs are unique. In addition, our individual portfolio may reflect a more aggressive posture than client portfolios because of our greater understanding of the financial markets.

In order to further protect the interest of clients, Schaefer Financial Management, Inc. has implemented an investment policy relative to personal securities trading and insider trading. This investment policy is part of the firm's overall Code of Ethics which serves to establish a standard of business conduct for all of our employees that is based upon the fundamental principles

of openness, integrity, honesty and trust. A copy of our Code of Ethics is available to any client or prospective client upon request.

## **Item 12: Brokerage Practices**

### ***The Custodian and Brokers we use***

We do not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We request that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we request that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “*Your Brokerage and Custody Costs*”).

### ***How we select Brokers/Custodians***

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous 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)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, 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 other clients
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us from Schwab*”)

### ***Your Brokerage and Custody costs***

For our client’s accounts that Schwab maintains, Schwab does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab’s commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10,000,000 of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be otherwise. Schwab recently moved to a commission free model for all equity and ETF trades if clients receive electronic delivery of confirmations and statements. Schwab also charges a transaction fee for open end institutional shares class mutual funds of \$24.00.

In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the

executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your 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 Schwab***

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us. Following is a more detailed description of Schwab’s support services:

**Services That Benefit You.** Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology 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
- Provide pricing and other market data
- Facilitate payment of our fees from our clients’ accounts
- Assist with back-office functions, recordkeeping, and client reporting

**Services That Generally Benefit Only Us.** Schwab also offers other services 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 benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party’s fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

### ***Our interest in Schwab’s services***

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don’t have to pay for Schwab’s services. We may have an incentive to request that you maintain your account with Schwab, based on our interest in receiving Schwab’s services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily

supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us.

Schwab is the only custodian that we recommend at this time, although we periodically review the marketplace for alternative custodial relationships. While each client retains the right to select any custodian or broker dealer of their choice, Schaefer Financial Management, Inc. retains the right to terminate any investment management relationship based upon the client's choice of custodian.

If a client follows our recommendation and establishes a custodial relationship at Schwab, we will assist in this process and act as the intermediary in transmitting instructions to Schwab. By granting to Schaefer Financial Management, Inc. a limited power of attorney over the account, Schwab will accept instructions from our office and will provide us with duplicate confirmations and statements as well as electronic access to account information. Any commissions or transaction fees that the client pays to Schwab are not shared with Schaefer Financial Management, Inc. in any way and are the sole responsibility of the Client. Because of the volume of business that Schaefer Financial Management, Inc. does with Schwab, our clients enjoy lower commissions than a retail investor would at Schwab. Please note that in purchasing no-load mutual funds, a Client will pay a proportionate share of the fund's operating costs.

At no time is any client under any obligation to purchase any financial product that we recommend. The decision about where and whether to make product purchases rests entirely with the client. At no time will we exercise any type of discretionary control over a client account.

### **Item 13: Review of Accounts**

While clients will always receive monthly statements from their custodian as well as transaction confirmation, Schaefer Financial Management, Inc. will provide a comprehensive written report to each Investment Advisory Client on a quarterly or annual basis, depending upon their portfolio size and account complexity. This report will include an analysis of the portfolio values, asset allocation and performance on both an individual asset and portfolio wide basis. Performance will also be reported on an absolute and relative basis and will be compared to broad market indices.

See also Item 4: Advisory Business above for a discussion of the details of, and the importance we attach to our ongoing reviews of client accounts and financial plans.

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

We do not receive or solicit any economic benefits from someone who is not a client for providing investment advice or other advisory services to our clients. We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

We or any person related to us do not directly or indirectly compensate any person who is not supervised by us for client referrals.

### **Item 15: Custody**

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you

provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab's account statements to the periodic portfolio reports you will receive from us. See Item 12: Brokerage Practices above for additional information and disclosures concerning our relationship with Schwab to serve as custodian for our client's funds and securities.

## **Item 16: Investment Discretion**

Although we reserve the right to offer investment advisory services on a discretionary basis, at the present time it is not the practice of Schaefer Financial Management, Inc. to do so. For all recommendations, clients must approve the recommendation before it is implemented.

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

Schaefer Financial Management, Inc. ("Schaefer") has adopted the following proxy voting policy with respect to those assets for which a client has vested Schaefer with discretionary investment management authority (the "assets").

Unless a client directs otherwise, in writing, Schaefer shall be responsible for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the assets. Schaefer and/or the client shall correspondingly instruct each custodian of the assets to forward to Schaefer copies of all proxies and shareholder communications relating to the assets. Absent mitigating circumstances and/or conflicts of interest (to the extent any such circumstance or conflict is presented, if ever, information pertaining to how Schaefer addressed any such circumstance or conflict shall be maintained by Schaefer), it is Schaefer's general policy to vote proxies consistent with the recommendation of the senior management of the issuer. Schaefer shall monitor corporate actions of individual issuers and investment companies consistent with Schaefer's fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, Schaefer may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Schaefer may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Schaefer shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2(c)(2) under the Advisers Act.

Copies of our proxy voting policies and procedures as well as SEC Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Schaefer voted on any specific proxy issue is also available upon written request. Any questions regarding Schaefer's proxy voting policy shall be directed to Jeffrey A. Schaefer at the Schaefer office.

## **Item 18: Financial Information**

We do not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include our balance sheet with this brochure. We do not have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

# Schaefer Financial Management, Inc.

(a Registered Investment Adviser)

## Brochure Supplement

(SEC Form ADV – Part 2B)

March 31, 2024

This brochure supplement provides information about these members of our staff who service our client's accounts. This information supplements the Schaefer Financial Management, Inc. Client Brochure. You should have received a copy of that brochure. Please contact one of our staff at the address below if you did not receive Schaefer Financial Management, Inc.'s Client Brochure. Additional information about these staff members is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Jeffrey A. Schaefer  
Rebecca A. Aardal  
Lowell C. Hansen  
Kirsten S. Hollander  
Jerome P. Perkins  
Henry J. Schaefer  
Andrea N. Searle

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## **Background and Credentials of Professional Staff**

In selecting a financial advisor, one of the key concerns for a client should be the advisor's qualifications and credentials. At the present time, Schaefer Financial Management, Inc. employs six Certified Financial Planners <sup>TM</sup>. In order to maintain the quality of advice being provided to our clients, any staff member who joins our firm must have a college degree. In addition, we require that all employees in a professional capacity either have, or to be working toward, a relevant professional designation (i.e., CFP<sup>®</sup>, CPA).

### **Jeffrey A. Schaefer, CFP<sup>®</sup>**

Jeff started the Firm in February, 1990 and operated it as a sole proprietor until 2001 when it was incorporated as Schaefer Financial Management, Inc. He has served as the Firm's sole owner and President for the entire time since the Firm was formed. His year of birth is 1964.

He is a Certified Financial Planner <sup>TM</sup> professional. The CFP<sup>®</sup> mark is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. To secure the right to use the CFP<sup>®</sup> mark, he has completed an educational program and passed a series of six examinations. In addition, to receive the CFP<sup>®</sup> certification, a candidate must have at least three years of planning experience. He has been in practice since 1986. Finally, he has agreed to be bound by a strict Code of Ethics and to complete required continuing education to maintain his designation.

His undergraduate degree is from the University of Colorado, Boulder. He graduated Magna Cum Laude in May 1986 with a Bachelor of Science in Finance. He has also earned a Master of Science in Accounting with an emphasis in Taxation from the University of Colorado, Boulder in 1990.

In terms of work history, his entire career has been spent in the financial services industry. From August 1987 through February 1990, he maintained a financial planning practice operated as Capital Financial Management. He and his partner dissolved that practice in February 1990 and he commenced operations as Schaefer Financial Management.

Prior to forming Capital Financial Management, from May 1986, through August 1987, he was affiliated with Financial Architects, Inc. Financial Architects was a registered investment advisor providing financial planning and insurance products. His duties included financial planning and administration. From May 1985 through May 1986, he was affiliated with Financial Services Group of Colorado, an insurance agency providing financial planning services. And, prior to that, he was a registered representative with B.J. Leonard & Company, Inc., an NASD member broker/ dealer.

In 1996, 1997, 1998, 1999, 2001 and 2002 he was honored to be recognized as one of America's Top Financial Advisors by Worth Magazine. No list was published in 2000. The Denver Business Journal named him one of its top wealth advisors in Colorado for 2007.

In order to further his own professional development, he has published several articles on financial planning topics including "Tax Planning for Marital Dissolution" which appeared in Personal Financial Planning, and "Financing a College Education - When You Are too Late to Accumulate" which appeared in Financial and Estate Planning.

Jeffrey A. Schaefer is the Firm's sole supervisor and therefore supervises every member of the Firm's staff.

**Rebecca A. Aardal, CFP®**

Becky has been employed by Schaefer Financial Management, Inc. since January, 1998. Her year of birth is 1975.

She is a Certified Financial Planner™ professional. The CFP® mark is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. To secure the right to use the CFP® mark, she has completed an educational program and passed a series of six examinations. In addition, to receive the CFP® certification, a candidate must have at least three years of planning experience. She has been in the practice for most the past 20 years. Finally, she agreed to be bound by a strict Code of Ethics and to complete required continuing education to maintain her designation.

Her undergraduate degree is from Colorado State University in Fort Collins. She graduated in May 1997 with a Bachelor of Science in Business Administration with a major in Finance.

In terms of work history, she has significant experience in financial planning. In 1995 she completed an internship with Schaefer Financial Management and then in January of 1998, she started working for Schaefer Financial Management full time. She left briefly in 2002-2003 and moved to Tacoma, Washington where she worked for the Tacoma Art Museum as the database manager and also at the Business Computer Training Institute where she assisted students with financial aid. Upon her return from Washington she resumed her role with Schaefer Financial Management, Inc.

Becky is supervised by Jeffrey A. Schaefer. He supervises her activities by reviewing and approving all quarterly and annual reports to clients containing recommendations. He also oversees reviews and supervises all Financial Planning activities and client projects that the Firm undertakes for any client.

**Lowell C. Hansen, CFP®**

Lowell has been employed by Schaefer Financial Management, Inc. since February, 2005. His year of birth is 1963.

Lowell is a Certified Financial Planner™ professional. The CFP® mark is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. To secure the right to use the CFP® mark, he completed a rigorous educational program and passed a series of six examinations. In addition, to receive the CFP® certification, a candidate must have at least three years of planning experience. He has been employed in the financial services industry for most of his career. Finally, he has agreed to be bound by a strict Code of Ethics and to complete required continuing education to maintain his designation.

Lowell received his undergraduate degree from Colorado State University, in Fort Collins. He graduated in 1985 with a Bachelor of Science in Finance.

In terms of work history, he has significant experience in the securities industry as well as running a small business. Prior to joining Schaefer Financial Management, he was Vice President at Dreyfus Institutional Marketing Group supporting relationships in the non-proprietary insurance and 401k channels in the western half of the United States. Before joining Dreyfus in 2002, he was Senior Vice President and Principal at Undiscovered Managers, LLC where he marketed mutual funds and separate accounts to registered investment advisors and broker/dealers in the western United States. From 1992 to 1997, he ran his family's transportation business located in the Midwest. Prior to that, he became securities licensed and traded municipal bonds for Wolfe & Hurst in San Francisco, California.

Lowell is supervised by Jeffrey A. Schaefer. He supervises his activities by reviewing and approving all quarterly and annual reports to clients containing recommendations. He also oversees reviews and supervises all Financial Planning activities and client projects that the Firm undertakes for any client.

### **Kirsten S. Hollander, CFP®**

Kirsten has been employed by Schaefer Financial Management, Inc. since February, 2007. Her year of birth is 1971.

Kirsten is a Certified Financial Planner™ professional. The CFP® certification is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. To secure the right to use the CFP® marks, she completed a rigorous educational program and passed a series of six examinations. In addition, to receive the CFP® certification, a candidate must have at least three years of planning experience. She has worked in the financial services industry since 1994. Finally, she has agreed to be bound by a strict Code of Ethics and to complete required continuing education to maintain her designation.

She is also a Certified Divorce Financial Analyst™. The CDFA™ designation is granted by the Institute for Divorce Financial Analysts™. She passed 3 module examinations and a comprehensive case-study exam. To retain the designations, she must obtain 15 divorce related hours of continuing education every two years. Our Firm examines and analyzes the financial issues of a divorce, providing our clients and their lawyers with data to help strengthen their case.

Her undergraduate degree is from Middlebury College in Middlebury, Vermont. She graduated in May 1993 with a Bachelor of the Arts in Biology and Psychology.

In terms of work history, she has significant experience in financial services industry. In February of 2007, she started working for Schaefer Financial Management, Inc. Prior to working for Schaefer Financial Management, Inc., from January 2004 through January 2007, she was a Financial Planner with Financially Speaking, Inc. Financially Speaking, Inc. is an independent fee-only financial planning and investment advisory firm. She was responsible for client service, gathering data and inputting that information for financial plans, and implementing the plans.

From March 2000 through December 2003, she was a Retirement Plan and Senior Financial Advisor for AIG Valic, a company specializing in providing and servicing retirement plans in the K-12 public school market place. They provided financial planning services to their retirement plan participants.

Prior to that, from November 1994 through February 2000, she worked for Founders Asset Management, Inc. (now Dreyfus Founders Funds). She began her career at Founders in the client service department, but soon moved to the institutional marketing department, where she was a Regional Marketing Manager, supporting and marketing to institutional clients.

Kirsten is supervised by Jeffrey A. Schaefer. He supervises her activities by reviewing and approving all quarterly and annual reports to clients containing recommendations. He also oversees reviews and supervises all Financial Planning activities and client projects that the Firm undertakes for any client.

### **Jerome P. Perkins, CFP®**

Jerome has been employed by Schaefer Financial Management, Inc. since July, 2013. His year of birth is 1990.

He is a Certified Financial Planner™ professional. The CFP® mark is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. To secure the right to use the CFP® mark, he has completed an educational program and passed a series of seven examinations. In addition, to receive the CFP® certification, a candidate must have at least two years of apprenticeship experience. He has worked in the financial services industry since graduating from college. Finally, he agreed to be bound by a strict Code of Ethics and to complete required continuing education to maintain his designation.

His undergraduate and graduate degrees are from the University of Colorado, Boulder. He graduated in May 2013 with a Bachelor of Science/Master of Science concurrent degree in Applied Mathematics with an emphasis in Finance and a minor in Economics.

In terms of work history, he started with Schaefer Financial Management after college in 2013. He has continued to work there since.

Jerome is supervised by Jeffrey A. Schaefer. He supervises his activities and projects given to him by the other CFP® professionals in the office. He also oversees reviews and supervises all Financial Planning activities and client projects that the Firm undertakes for any client.

**Henry J. Schaefer, CFP®**

Henry has been employed by Schaefer Financial Management, Inc. since July, 2021. His year of birth is 1997.

He is a Certified Financial Planner™ professional. The CFP® mark is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. To secure the right to use the CFP® mark, he has completed an educational program and passed a series of seven examinations. In addition, to receive the CFP® certification, a candidate must have at least two years of apprenticeship experience. He has worked in the financial services industry since graduating from college. Finally, he agreed to be bound by a strict Code of Ethics and to complete required continuing education to maintain his designation.

His undergraduate and graduate degrees are from the University of Colorado, Boulder. He graduated in May 2021 with a Bachelor of Science in Finance and Accounting and a Master of Science in Taxation.

In terms of work history, he started with Schaefer Financial Management after college in 2021. He has continued to work there since.

Henry is supervised by Jeffrey A. Schaefer. He supervises his activities and projects given to him by the other CFP® professionals in the office. He also oversees reviews and supervises all Financial Planning activities and client projects that the Firm undertakes for any client.

**Andrea N. Searle, CFP®**

Andrea has been employed by Schaefer Financial Management, Inc. since January, 2001. Her year of birth is 1972.

She is a Certified Financial Planner™ professional. The CFP® mark is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. To secure the right to use the CFP® mark, she has completed an educational program and passed a series of six examinations. In addition, to receive the CFP® certification, a candidate must have at least three years of planning experience. She has been in the practice of financial planning since 1997. Finally, she has agreed to be bound by a strict Code of Ethics and to complete required continuing education to maintain her designation.

Her undergraduate degree is from the University of Colorado, Boulder. She graduated in May 1994 with a Bachelor of Science in Accounting.

In terms of work history, she has significant experience in financial planning. In January of 2001, she started working for Schaefer Financial Management, Inc. Prior to working for Schaefer Financial Management, Inc., from May 1999 through December 2000, she was an investment analyst with Envestnet Asset Management (formerly known as Portfolio Management Consultants, Inc.). Portfolio Management Consultants provided a platform of separate account managers for investment advisors to use in their clients' portfolios. She performed due diligence and investment analysis on separate account managers that would be listed on the platform. From January 1997 through May 1999, she was affiliated with AMG Guaranty Trust (Formerly known as Asset Management Group), an investment advisory firm providing investment and financial services. She performed financial planning and portfolio management services. Prior to that, from September 1994 through December 1996, she worked for Arthur Andersen, LLP in their tax department. At that time, Arthur Andersen, LLP was one of the big six accounting firms. She performed duties in both taxation and financial planning. She attended, on an annual basis, Arthur Andersen's worldwide training center to further her education in tax and financial planning.

Andrea is supervised by Jeffrey A. Schaefer. He supervises her activities by reviewing and approving all quarterly and annual reports to clients containing recommendations. He also oversees reviews and supervises all Financial Planning activities and client projects that the Firm undertakes for any client.

