

<b>Firm Information - ADV Part II Replacement Brochure</b>
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*This brochure serves as a replacement to Part II of Form ADV Uniform Application for Investment Adviser Registration, which gives information about an investment adviser and its business for the use of clients and prospective clients. This information has not been approved or verified by any governmental authority. Registration of an investment adviser does not imply that the adviser possesses a certain level of skill or training.*

## Table of Contents

<u>Item No.</u>	<u>Item</u>	<u>Page</u>
1	Advisory Services and Fees	1
2	Types of Clients	2
3	Types of Investments	2
4	Methods of Analysis, Sources of Information, and Investment Strategies	2
5	Educational Standards	3
6	Education and Business Background	3
7	Other Business Activities	4
8	Financial Affiliations	4
9	Participation of Interest in Client Transactions	5
10	Conditions for Managing Accounts	5
11A	Review of Accounts	5
11B	Reports to Clients	5
12	Investment or Brokerage Discretion	6
13	Additional Compensation	6

### 1. Advisory Services and Fees

Scheller Financial Services, Inc (“the Firm”) is a registered investment adviser that provides financial planning and investment counseling services to individuals, corporations, small businesses, 401(k), pensions and profit sharing plans, estates and trusts. The firm provides comprehensive financial planning to clients. This includes the five areas of financial planning, which are Protection, Estate Planning, Income Tax Planning, Retirement Income Planning and Investment Planning.

The Firm has discretionary authority on some but not all accounts. In other words, only with prior written authorization will we place any trades, including sells, purchases or exchanges without getting the permission of the client first.

For most clients, the Firm's compensation derives from investment advisory fees on assets that are managed by the firm, on behalf of the client. Clients pay the Firm a management fee (investment advisory fee) calculated as a percentage of the market value of an account. (The Firm's compensation does not include various fees charged to clients by Pershing LLC, a clearing firm with which the Firm has a financial affiliation discussed below in Section 8.) The firm also has the ability to establish commission based accounts with Pershing. The commissions are calculated using a standard schedule that takes into account the number of shares transacted, the price of each share, and other factors.

The Firm believes total investment costs paid by its clients are highly competitive, generally averaging 1.00% to 2.25% of invested assets per year for accounts. The investment advisory fee is charged in advance at  $\frac{1}{4}$  of the agreed upon annual percentage rate, or as low as a quarter of a percent per quarter.

The firm seeks to provide complete transparency with regard to fees and expenses. Clients receive a confirmation of each transaction clearly disclosing any fees, and monthly statements detailing all activity and charges. Each quarter, the client also receives a Performance Review from our broker dealer, SagePoint Financial, Inc. or an authorized third party financial advisory firm. This document includes the specific accounting for the investment advisory fee.

Clients may at any time add funds or securities to their accounts, withdraw funds or securities from their accounts, or close their accounts. There are no lock-up provisions. Any fees paid in advance are refunded pro-rata.

## **2. Types of Clients**

Most of the Firm's clients are either about to retire or are already retired individuals. We have many clients who have been with the firm for 20 to 25 years. Any client who has a financial, tax or investment problem, or who wishes to plan prudently for their financial future is likely going to benefit the most from our services.

## **3. Types of Investments**

The typical investments recommended are mutual funds. We also have clients who own common stocks issued by domestic and foreign companies, U.S. Government securities, bonds issued by domestic companies, and preferred stocks issued by domestic companies. We also have clients who hold or have held, municipal securities, commercial paper, warrants, options, bonds issued by foreign companies, domestic and foreign mutual funds as well as REIT's and other alternative type of investments. We also recommend variable annuity investments to our clients at times we feel appropriate, based upon their needs, goals and investment tolerance. A reason for using variable annuities includes, but is not limited to, providing for the lifetime living benefit guarantees and/or the guaranteed minimum death benefits. These types of investments are issued by life insurance companies.

## **4. Methods of Analysis, Sources of Information, and Investment Strategies**

We do not use technical analysis or charting. We do use a fundamental approach, such as economic conditions, earnings, industry outlook, politics (as it relates to investments) historical data, price-earnings ratios, dividends, interest rates, company management and tax benefits. We do not pick individual stocks. We do not pick individual bonds, we pick stock pickers and bond pickers.

We are not the fund manager, we are the manager of the fund managers. The main independent companies that we utilize in order to research investment are Morningstar, Inc. and Valueline, Inc. We attempt to select client's investments to harmonize with their financial objectives.

The Firm continually adapts its investment recommendations to market conditions and individual client needs. Decades of experience have shown that no one approach works at all times for all clients. Generally, the Firm holds securities in taxable client accounts for over one year, but, when appropriate, will sell within a year to capture a large gain or harvest a tax loss. We do not typically recommend margin transactions for clients except in special circumstances and at a client's specific request. It occasionally executes option transactions at the request of clients, but does not employ options or other derivatives in accounts we manage.

## **5. Education Standards**

The Firm requires all the financial advisors within the firm to maintain all applicable licenses and be in good standing with all regulatory and broker dealer organizations and to be in full compliance with those respective organizations. The Firm also requires all associated investment advisory associates to participate in all continuing education programs in accordance with their particular license designations.

## **6. Education and Business Background**

### **Fred Christian Scheller (DOB: 4-26-1951)**

Original first securities license date Oct. 1982

Graduated: Pacific University, Forest Grove, Oregon, Bachelors Degree

Major: Business

Oregon State University, Portland State University and Portland Community College

Registered Representative (OR)

Securities Licenses: Series 6, 7, 22, 24, 62, 63, 65, and 53

President: Scheller, Harris & Associates 9/01 - present

Registered Representative: SagePoint Financial, Inc 01/2009 – present

Registered Representative: AIG Financial Advisors 10/92 – 01/2009

Past Chairman & President: Scheller, Hess-Yoder & Associates, Inc aka Advanced Mortgage Resources (Sold March 2001)

Past Chairman & President: Westmark Financial Services, Inc. (Sold July 2001)

Registered Representative: U.S. Securities Clearing Corp. 1/90 – 10/92

Past Division, District and Registered Representative: Waddell & Reed, Inc.

(8/82 – 1/90)

Insurance Licensed: Life, Health, Disability, Variable; Oregon, Washington and California

### **Patrick Harris (DOB: 9-30-1950)**

2 years Oregon Technical School, Klamath Falls, OR

1 year at Mt. Hood Community College, Gresham, OR

Registered Representative (OR) Series 6, 7, 22, 63, 24 and 65

Insurance License (OR): Life, Health, and Variable

Registered Representative: SagePoint Financial, Inc 01/2009 – present

Registered Representative: AIG Financial Advisors 11/00 – 01/2009

Registered Representative: Resource Financial Planning 11/92 – 11/00

Registered Representative: US Securities Clearing Corp. 8/90- 11/92

Past Division, District and Registered Representative: Waddell & Reed, Inc.

(1/82 – 8/90)

**William J. Clark (DOB 03-15-1944)**

Broome Tech Community College  
State University of NY at Binghamton  
Security Licenses; Series 6, 7, 24, 66  
Insurance Licenses; Life, Variable, Fire & Casualty  
Bill Clark Insurance Services 1994 to present  
Registered Rep: SagePoint Financial, Inc 01/2009 – present  
Registered Rep. AIG Financial Advisors 2002 – 01/2009  
Prudential Financial 1988 – 2002  
Seagull Security 02-1988 - 11-1988  
Remanco 1986 – 1987  
Dos Hombres 1985 – 1986  
Sea Galley 1981 – 1984  
Big Yellow House 1977 – 1981  
Old Venice Noodle Co 1973 – 1977  
Consolidated Elec. Dist 1971 – 1973  
Westinghouse Electric 1968 - 1971

**Johan H. van Gelderen (DOB 04-10-1954)**

University of Utah BS  
Security Licenses -Series 6-22-63-65  
Insurance Licenses Life, Health, Variable (OR,WA)  
Registered Representative: SagePoint Financial, Inc 01/2009 – present  
Registered Representative AIGFA 04-2004- to 01/2009  
Registered Representative ; Waddell and Reed 02-1987to 04-2004

**7. Other Business Activities**

Chris Scheller is also part owner with his wife Kathy, of a firm called THE GEM QUARRY ([www.gemquarry.com](http://www.gemquarry.com)). This firm is operated primarily by his wife and in no way are investments into this firm or the purchase of the products offered for sale by this firm suggested or offered. Chris is also licensed for the sale of fixed insurance products as well as health and variable life insurance. Some or all of the associated investment professionals are also licensed in the various insurance areas.

**8. Financial Affiliations**

The Firm has arranged with Pershing, LLC to provide clearing and custodian services to the Firm's clients. Pershing, a wholly owned subsidiary of The Bank of New York Mellon's holding company and one of the largest and oldest clearing firms in the United States, holds the clients' securities and cash, issues statements and confirmations. Our broker dealer affiliation is with SagePoint Financial, Inc., a wholly owned subsidiary of American International Group (AIG) and provides compliance support and other back office services. Pershing, LLC and SagePoint Financial, Inc. are compensated for these services by a receiving a percentage of the investment advisory fee that I receive from my clients.

Pershing is also compensated by other miscellaneous fees charged directly to the Firm's clients, including fees to transfer accounts, transfer funds, deposit securities certificates, annual administration fee for retirement accounts, and other miscellaneous services. In general, these fees are very small relative to a

client's total investment expenses, and are occasionally absorbed by the Firm. Pershing's compensation and other policies are described in a disclosure statement sent each year to all clients.

## **9. Participation of Interest in Client Transactions**

The Firm does not buy securities from, or sell securities to, any investment advisory client. The Firm, and its officers, employees, and family members generally hold the same securities the Firm recommends for client accounts. The Firm prohibits itself and its associated persons from benefiting from the short-term market effects of transactions for clients.

## **10. Conditions for Managing Accounts**

The Firm generally requires a minimum of \$100,000 to open an advisory account. It believes that this is the minimum amount required to successfully execute its investment strategies for an individual portfolio. However, smaller accounts may be accepted at the discretion of management. Our broker dealer guidelines require that for a fee based relationship, the minimum account size is \$100,000. We have many clients who request that we manage their children's investments. Our minimum account size is typically \$500,000 or 50% of investible assets, whichever is greater.

## **11A. Review of Accounts**

The Firm's financial advisors and compliance officer continuously monitor accounts to identify and correct any transaction or valuation errors, and to implement investment strategies that serve each client's investment objectives. At a minimum, a review is conducted the day of and the day after any securities transaction in an account and after the end of each month. After the end of each month, the compliance officer reviews account statements and all investment professionals review investment performance, which is tracked quarterly for each advisory account. More frequent account reviews are triggered by such factors as: a) awareness of a material change in a client's circumstances or investment objectives, b) significant changes in market conditions, c) changes in the portfolio manager's assessment of a security held in an account, and d) divergence of an account's investment performance from management's expectations. The Firm holds approximately (538) accounts for which it provides investment supervisory services. Three investment professionals have review responsibility for these accounts.

## **11B. Reports to Clients**

The Firm arranges for its clearing firm, Pershing LLC, to furnish clients with confirmations of trades or debit/credit advice promptly after completion of any portfolio transaction for which the Firm has placed an order. The confirmations detail the principal amount, any commissions, and any SEC fees for each transaction. In addition, the Firm arranges for each client and/or client designated representative to receive monthly account statements showing the activity in each of the client's accounts and the market value of each security in the accounts. The Firm, upon request, may provide additional reports showing the industry and sector diversification of a portfolio, the cost basis of securities held, realized capital gains and losses, and other portfolio information. In addition, through meetings, telephone calls, and letters, the Firm regularly keeps clients informed of the investment policy and strategy for achieving clients' investment objectives. The nature and frequency of these reports and other communications are determined primarily by the particular needs of each client.

The Firm posts its proxy policy, privacy policy, business disruption recovery plan, this pamphlet, and other disclosures on its website at [www.schellerfinancialservices.com](http://www.schellerfinancialservices.com) and offers at least annually to send them clients.

## **12. Investment or Brokerage Discretion**

We do have discretion over many of our client accounts. Our broker/dealer, SagePoint Financial has selected Pershing, LLC as the clearing firm for all of the accounts we manage. The Firm considers primarily the ability to execute a trade promptly at a competitive price. Without specific client instructions, the Firm typically does not have the power to transfer funds or securities to or from a client's account.

## **13. Additional Compensation**

Although in many cases, the Firm is fully compensated for planning services by way of commissions and fee-based asset management, the Firm may also be compensated for planning services by the client on an hourly or pre-determined fixed fee basis. The Firm may offer complete financial plans as part of the investment advisory fee, or for an additional charge. However, the Firm does have the flexibility to offer financial plans for a set fee and perform financial consulting work on an hourly basis. The charge for a financial plan typically can range from \$1,000 - \$15,000, but may be more or less, depending on the nature and complexity of each client's circumstances.

The firm currently does not have an arrangement for receiving compensation for referring clients to tax professionals, or estate planning attorneys but does have revenue sharing arrangement with various third party advisory firms including but not limited to the following:

Curian Capital; BTS; Loring Ward; Genworth Wealth Management; and Hanlon.