

Shepard & Associates Financial Services, Inc. Shepard & Associates, Inc. Client Brochure

This brochure provides information about the qualifications and business practices of Shepard & Associates, Inc.. If you have any questions about the contents of this brochure, please contact us at (913) 362-2712 or by email at: amy@shepardfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Shepard & Associates, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. Shepard & Associates, Inc.'s CRD number is: 110471

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Registration does not imply a certain level of skill or training.

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Item 2: Material Changes

Shepard & Associates, Inc. has not yet filed an annual updating amendment using the ADV Form 2A. Therefore there are no material changes to report.

Item 3: Table of Contents

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Item 4: Advisory Business

A. Description of the Advisory Firm

This firm has been in business since June 17, 1993, and the principal owner is Frank Curtis Shepard.

B. Types of Advisory Services

Shepard & Associates, Inc. (hereinafter "S&A") offers the following services to advisory clients:

Investment Supervisory Services

S&A offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. S&A creates an Investment Policy Statement for each client, which outlines the client's current situation (income, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

S&A evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. S&A will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Financial Planning

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt planning. These services are based on hourly fees and the final fee structure is documented in the Financial Planning Agreement.

Services Limited to Specific Types of Investments

S&A limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, REITs, insurance products including annuities, and government securities. S&A may use other securities as well to help diversify a portfolio when applicable.

C. Client Tailored Services and Client Imposed Restrictions

S&A offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent S&A from properly servicing the client account, or if the restrictions would require S&A to deviate from its standard suite of services, S&A reserves the right to end the relationship.

D. Wrap Fee Programs

S&A does not participate in any wrap fee programs.

E. Amounts Under Management

S&A has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$98,837,331	\$0.00	12/31/2011

Item 5: Fees and Compensation

A. Fee Schedule

Investment Supervisory Services Fees

Total Assets Under Management	Annual Fee
\$100,000 - \$500,000	1.20%
\$500,001 - \$1,000,000	1.00%
Above \$1,000,000	0.88%

These fees are negotiable and the final fee schedule is attached to the Investment Advisory Contract. Fees are paid quarterly in advance or in arrears, and clients may terminate their contracts with thirty days' written notice. For fees that are charged in advance refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

Financial Planning Fees

Hourly Fees

The hourly fee for these services is \$150. The fees are negotiable and the final fee schedule will be attached to the Financial Planning Agreement. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

B. Payment of Fees

Payment of Investment Supervisory Fees

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in advance or in arrears.

Payment of Financial Planning Fees

Hourly Financial Planning fees are paid via check in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

C. Clients Are Responsible For Third Party Fees

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by S&A. Please see Item 12 of this brochure regarding broker/custodian.

D. Prepayment of Fees

S&A collects fees in advance and in arrears. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be returned within fourteen days to the client via check.

E. Outside Compensation For the Sale of Securities to Clients

Representatives of S&A may also be registered representatives of Cambridge Investment Research, Inc. and accept compensation for the sale of securities to S&A clients.

1. This is a Conflict of Interest

S&A and its supervised persons will accept compensation for the sale of securities or other investment products, including asset based sales charges or services fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person and S&A an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which S&A receives compensation, S&A will document the conflict of interest in the client file and inform the client of the conflict of interest.

2. Clients Have the Option to Purchase Recommended Products From Other Brokers

Clients always have the option to purchase S&A recommended products through other brokers or agents that are not affiliated with S&A.

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

S&A does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7: Types of Clients

S&A generally provides investment advice and/or management supervisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Corporations or Business Entities

Minimum Account Size

There is an account minimum, \$100,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

A. Methods of Analysis and Investment Strategies

Methods of Analysis

S&A's methods of analysis include fundamental analysis and technical analysis.

Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

Technical analysis involves the analysis of past market data; primarily price and volume.

Investment Strategies

S&A uses long term trading, short term trading and covered options writing.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

B. Material Risks Involved

Methods of Analysis

Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

Investment Strategies

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

C. Risks of Specific Securities Utilized

S&A generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize covered options writing which generally holds greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

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.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker/Dealer or Broker/Dealer Representative

Representatives of S&A may also be registered representatives of Cambridge Investment Research, Inc. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. S&A always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of S&A in their capacity as a registered representative.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither S&A nor its representatives are registered as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

Representatives of S&A may also be licensed insurance agents. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. S&A always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of S&A in their capacity as an insurance agent.

D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections

S&A does not utilize nor select other advisors or third party managers. All assets are managed by S&A management.

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

A. Code of Ethics

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

B. Recommendations Involving Material Financial Interests

S&A does not recommend that clients buy or sell any security in which a related person to S&A has a material financial interest.

C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of S&A may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of S&A to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. S&A will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, representatives of S&A may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of S&A to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians and/or Broker/Dealers

The Custodian was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. S&A will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

1. *Research and Other Soft-Dollar Benefits*

S&A receives services intended to help the Advisor to manage and further develop its business enterprise.

Charles Schwab and Co., Inc.

These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession, and (iii) access to employee benefit providers, human capital consultants and insurance providers. Schwab may make available, arrange, and/or pay for these types of services to the Advisor. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services, or pay all or a part of the fees of a third party providing these services to the Advisor. Schwab Institutional may also provide other benefits, such as educational events or occasional business entertainment of Advisor's personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, Advisor may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Fidelity Investments

The Advisor may recommend that clients establish 403(b)(7) accounts with Fidelity Investments ("Fidelity") to maintain custody of assets and to effect trades for clients accounts. Fidelity provides the Advisor with access to its trading and operations services. These services are available to facilitate trade executions and to facilitate payment of the Advisor's fees from its clients' accounts.

TIAA/CREF

Advisor may also recommend that clients establish certain accounts with TIAA/CREF to maintain custody of client's assets and to effect trades for clients' accounts. TIAA/CREF also provides the Advisor with access to its trading and operations services through TIAA/CREF's advisors division. TIAA/CREF offers to the Advisor services, which may include consulting, publications and retirement information as needed.

2. *Brokerage for Client Referrals*

S&A receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. Clients Directing Which Broker/Dealer/Custodian to Use

S&A allows clients to direct brokerage. S&A may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage S&A may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

B. Aggregating (Block) Trading for Multiple Client Accounts

S&A maintains the ability to block trade purchases across accounts. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

Item 13: Reviews of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client investment accounts are reviewed at least quarterly. The chief advisor is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels.

All financial planning accounts are reviewed upon financial plan creation and plan delivery. There is only one level of review and that is the total review conducted to create the financial plan.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

C. Content and Frequency of Regular Reports Provided to Clients

For advisory clients participating in Advisor's fee-based investment program, a quarterly report will be provided by the Advisor showing investment allocation and account performance. Clients will also receive periodic statements from investment sponsors and/or custodians.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

S&A does not receive any economic benefit, directly or indirectly from any third party for advice rendered to S&A clients.

B. Compensation to Non –Advisory Personnel for Client Referrals

S&A does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

Item 15: Custody

S&A does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the Custodian.

Item 16: Investment Discretion

For those clients' accounts where S&A provides ongoing supervision, the client has given S&A written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides S&A discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian.

Item 17: Voting Client Securities (Proxy Voting)

S&A will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

Item 18: Financial Information

A. Balance Sheet

S&A does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither S&A nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

S&A has not been the subject of a bankruptcy petition in the last ten years.