

**Beach Financial Advisory Service**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of the BEACH FINANCIAL ADVISORY SERVICE. If you have any questions about the contents of this brochure, please contact us at: 757-428-6634, or by email at: RON@BEACHFAS.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 BEACH FINANCIAL ADVISORY SERVICE is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

January 1, 2011

## Material Changes

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Beach Financial Advisory Service brochure.

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### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our brochure, please contact us by telephone at: 757-428-6634 or by email at: [RON@BEACHFAS.COM](mailto:RON@BEACHFAS.COM).

# Table of Contents

<b>Material Changes.....</b>	<b>i</b>
Annual Update .....	i
Material Changes since the Last Update .....	i
Full Brochure Available .....	i
<b>Advisory Business .....</b>	<b>1</b>
Firm Description.....	1
Principal Owners.....	1
Types of Advisory Services.....	1
Tailored Relationships .....	2
Types of Agreements.....	2
Comprehensive Financial Advisory Service.....	2
Financial Planning Service Agreement .....	2
Investment Advisory Service Agreement .....	3
Investment Advisory Service and Annual Retainer Agreement.....	4
Annual Retainer Service.....	4
Termination of Agreement .....	5
<b>Fees and Compensation .....</b>	<b>5</b>
Description .....	5
Fee Billing .....	5
Other Fees .....	6
Expense Ratios.....	6
Past Due Accounts and Termination of Agreement .....	6
<b>Performance-Based Fees .....</b>	<b>6</b>
Sharing of Capital Gains .....	6
<b>Types of Clients.....</b>	<b>7</b>
Description .....	7
Account Minimums.....	7
<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>7</b>
Methods of Analysis.....	7
Investment Strategies .....	7
Risk of Loss .....	8

<b>Disciplinary Information .....</b>	<b>9</b>
Legal and Disciplinary.....	9
<b>Other Financial Industry Activities and Affiliations .....</b>	<b>9</b>
Financial Industry Activities.....	9
Affiliations .....	9
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>9</b>
Code of Ethics .....	9
Participation or Interest in Client Transactions.....	10
Personal Trading.....	10
<b>Brokerage Practices.....</b>	<b>10</b>
Selecting Brokerage Firms.....	10
Best Execution .....	10
Soft Dollars .....	10
Order Aggregation .....	11
<b>Review of Accounts .....</b>	<b>11</b>
Periodic Reviews .....	11
Review Triggers.....	11
Regular Reports.....	11
<b>Client Referrals and Other Compensation .....</b>	<b>11</b>
Incoming Referrals.....	11
Referrals Out .....	12
Other Compensation.....	12
<b>Custody .....</b>	<b>12</b>
Account Statements.....	12
Performance Reports.....	12
<b>Investment Discretion.....</b>	<b>12</b>
Discretionary Authority for Trading.....	12
Limited Power of Attorney .....	12
<b>Voting Client Securities .....</b>	<b>13</b>
Proxy Votes .....	13
<b>Financial Information .....</b>	<b>13</b>
Financial Condition .....	13

<b>Business Continuity Plan .....</b>	<b>13</b>
General .....	13
Disasters .....	13
<b>Information Security Program.....</b>	<b>13</b>
Information Security .....	13
Privacy Notice .....	14
<b>Brochure Supplement (Part 2B of Form ADV) .....</b>	<b>15</b>
Education and Business Standards .....	15
Professional Certifications .....	15
Ron Pearson, CERTIFICATIONS .....	18

# Advisory Business

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## Firm Description

BEACH FINANCIAL ADVISORY SERVICE was founded in 1994 to provide personalized confidential financial planning and investment management to individuals, corporations and institutions on a fee only basis – without any requirement that they purchase financial products. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, special needs planning and estate planning.

BEACH FINANCIAL ADVISORY SERVICE is strictly a fee-only financial planning and investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Investment advice is normally provided as an integral part of financial planning. The client usually makes the final decision on investment selection but some circumstances require the firm to make the final decision without client input (e.g. client not available and mutual fund manager leaves). BEACH FINANCIAL ADVISORY SERVICE does not act as a custodian of client assets. The client always maintains asset control. BEACH FINANCIAL ADVISORY SERVICE places trades for clients under a limited power of attorney.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

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## Principal Owners

Ron Pearson is sole proprietor of BEACH FINANCIAL ADVISORY SERVICE. There are no employees.

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## Types of Advisory Services

BEACH FINANCIAL ADVISORY SERVICE provides investment supervisory services, also known as asset management services and furnishes investment advice through consultations.

On more than an occasional basis, BEACH FINANCIAL ADVISORY SERVICE furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and estate planning.

As of January 1, 2011, BEACH FINANCIAL ADVISORY SERVICE manages approximately \$46 million in assets for 45 clients. Approximately \$46 million

is managed on a discretionary basis, and \$0 is managed on a non-discretionary basis.

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**Tailored Relationships**

The goals and objectives for each client are documented in the client relationship management system. Investment policy statements are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

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**Types of Agreements**

The following agreements define the typical client relationships.

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**Comprehensive Financial Advisory Service**

Beach Financial Advisory Service will conduct an initial analysis of Client's current financial position including: tax and cash flow/expense analysis, retirement planning/financial independence, risk analysis (life/health/disability), estate planning, education planning, and investment planning. Beach Financial Advisory Service will provide a written summary of client's present resources including the distribution and balance of assets in relation to goals, a review of financial programs including an investment portfolio analysis, an analysis of cash flow focusing on insurance, loan and real estate commitments, and a general plan for repositioning financial resources to best achieve stated financial goals.

A flat fee (based on expected effort at \$150 per hour) is charged for comprehensive financial planning activities. Generally, 50% is paid initially with the balance due upon completion of the plan. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

Follow-on implementation work is billed separately at the rate of \$150 per hour.

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**Financial Planning Service Agreement**

Some clients need only occasional advice or advice in only limited areas. For these clients, Beach Financial Advisory Service provides hourly planning at a rate of \$150 per hour. The firm normally provides this advice face-to-face with clients. If the firm needs to conduct analysis while the client is not present, the firm normally quotes a flat fee for the project based upon expected effort at \$150 per hour.

To the extent practicable, the scope of work and fee for a Financial Planning Service Agreement is provided to the client in writing prior to the start of the

relationship. Areas of coverage include: tax and cash flow management; risk analysis (life/health/disability); investment planning; education planning; retirement planning; estate planning; and serious illness/disability planning, as well as the implementation of recommendations within each area.

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**Investment Advisory Service Agreement**

Client will be given an outline of recommended investment vehicles and their percentage allocation. The analysis and design of the portfolio is based on portfolio optimization models and efficient frontier analysis. The recommendations will appropriately reflect Client's investment risk tolerance and need for diversification. At least twice annually the portfolio will be reviewed and assets will be redistributed maintaining the optimum percentage allocation (reoptimization). While Client consultation prior to making portfolio changes is the norm, Advisor is authorized to effect switches between mutual funds without prior notice to the Client. Assets under management which will not be redistributed include non-liquid investments such as limited partnerships and dollar amounts which are less than one percent (1%) of the portfolio's market value. The minimum portfolio value required to qualify for this service is \$500,000.

The fee to establish the program and reposition the assets is .5% of the market value of the assets placed under management or \$500 whichever is greater. This fee is negotiable. The establishment fee is due when the portfolio is set-up. Annual fees for investment management are as follows:

<b><u>Assets under Management</u></b>	<b><u>Percent of Net Assets</u></b>
\$0 - \$300,000	1.0% (\$1000 minimum)
\$300,001 - \$500,000	.9%
\$500,001 - \$900,000	.8%
\$900,001 - \$1.2 million	.7%
\$1,200,001 - \$1.5 million	.6%
\$1,500,001 - \$1.8 million	.55%
\$1,800,001 - \$2 million	.5%
\$2,000,001 - \$3 million	.4%
\$3,000,001 - \$10 million	.3%

One-half of the fee (based upon end of reporting period portfolio balance) is due at each of the two semi-annual reoptimizations. The client may choose to

have the fee taken directly from the account by noting same on the contract and on the account application, or the client may choose to pay by check.

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**Investment Advisory Service and Annual Retainer Agreement**

In addition to investment advisory service, Beach Financial Advisory Service will provide on call financial advisory service including an annual review of the client's planning objectives, balance statement, cash flow, tax analysis, financial independence analysis, estate analysis, and current recommendations.

Fees for annual retainer services and investment management are:

<b><u>Assets under Management</u></b>	<b><u>Percent of Net Assets</u></b>
\$0 - \$200,000	1.6% (\$1600 minimum)
\$200,001 - \$300,000	1.4%
\$300,001 - \$400,000	1.2%
\$400,001 - \$500,000	1.0%
\$500,001 - \$900,000	.8%
\$900,001 - \$1.2 million	.7%
\$1,200,001 - \$1.5 million	.6%
\$1,500,001 - \$1.8 million	.55%
\$1,800,001 - \$2 million	.5%
\$2,000,001 - \$3 million	.4%
\$3,000,001 - \$10 million	.3%

One-half of the fee (based upon end of reporting period portfolio balance) is due at each of the two semi-annual reoptimizations. The client may choose to have the fee taken directly from the account by noting same on the contract and on the account application, or the client may choose to pay by check.

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**Annual Retainer Service**

Some clients choose to retain Beach Financial Advisory Service for their financial planning and/or investment advisory services. For a flat fee (calculated based upon the expected level of effort needed) billed quarterly or semi-annually the firm provides on-call financial advisory service in addition to an annual review of the client's planning objectives, balance statement, cash flow, tax analysis, financial independence analysis, estate analysis, and current recommendations. In addition, the client will be given an outline of recommended investment vehicles and their percentage allocation. The analysis and design of the portfolio is based

on portfolio optimization models and efficient frontier analysis. The recommendations will appropriately reflect Client's investment risk tolerance and need for diversification. At least twice annually the portfolio will be reviewed and assets will be redistributed maintaining the optimum percentage allocation (re-optimization). While Client consultation prior to making portfolio changes is the norm, Advisor is authorized to effect switches between mutual funds without prior notice to the Client. Assets under management which will not be redistributed include non-liquid investments such as limited partnerships and dollar amounts which are less than one percent (1%) of the portfolio's market value for tax-deferred accounts or less than 5% -7% for taxable accounts (to reduce transaction fees and capital gains).

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### **Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying BEACH FINANCIAL ADVISORY SERVICE in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, BEACH FINANCIAL ADVISORY SERVICE will refund any unearned portion of the advance payment.

BEACH FINANCIAL ADVISORY SERVICE may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, BEACH FINANCIAL ADVISORY SERVICE will refund any unearned portion of the advance payment.

## **Fees and Compensation**

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### **Description**

BEACH FINANCIAL ADVISORY SERVICE bases its fees on a percentage of assets under management, hourly charges, and fixed fees.

*Retainer Agreements* are priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are *NEGOTIABLE*.

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### **Fee Billing**

Investment management fees are billed semi-annually, in *ARREARS*, meaning that we invoice you *AFTER* the six-month billing period has *ENDED*. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed 50% in advance, with the balance due upon delivery of the financial plan.

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**Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

BEACH FINANCIAL ADVISORY SERVICE, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

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**Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to BEACH FINANCIAL ADVISORY SERVICE.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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**Past Due Accounts and Termination of Agreement**

BEACH FINANCIAL ADVISORY SERVICE reserves the right to stop work on any account that is more than 30 days overdue. In addition, BEACH FINANCIAL ADVISORY SERVICE reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in BEACH FINANCIAL ADVISORY SERVICE's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 10 days.

## **Performance-Based Fees**

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**Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

BEACH FINANCIAL ADVISORY SERVICE does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## Types of Clients

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### Description

BEACH FINANCIAL ADVISORY SERVICE generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, and corporations or business entities.

Client relationships vary in scope and length of service.

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### Account Minimums

The minimum account size is \$500,000 of assets under management, which equates to an annual fee of \$4,000.

When an account falls below \$100,000 in value, the minimum annual fee of \$1,000 is charged (subject to a waiver at the discretion of BEACH FINANCIAL ADVISORY SERVICE).

BEACH FINANCIAL ADVISORY SERVICE has the discretion to waive the account minimum. Accounts of less than \$500,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$500,000 within a reasonable time (subject to a waiver at the discretion of BEACH FINANCIAL ADVISORY SERVICE). Other exceptions will apply to employees of BEACH FINANCIAL ADVISORY SERVICE and their relatives, or relatives of existing clients.

## Methods of Analysis, Investment Strategies and Risk of Loss

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### Methods of Analysis

Security analysis methods may include fundamental analysis and cyclical analysis.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that BEACH FINANCIAL ADVISORY SERVICE may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, TD Ameritrade research services, and the World Wide Web.

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### Investment Strategies

The primary investment strategy used on client accounts is strategic asset allocation utilizing various asset classes to reduce risk and maximize returns. Both active mutual funds, passively-managed index and exchange-traded funds, and occasionally some stocks and bonds are used depending upon the client's tax bracket.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

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**Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its owner have not been involved in legal or disciplinary events related to past or present investment clients.

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

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### **Financial Industry Activities**

Not applicable.

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### **Affiliations**

Not Applicable.

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

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### **Code of Ethics**

BEACH FINANCIAL ADVISORY SERVICE has committed to a Code of Ethics that is available for review by clients and prospective clients upon request. It reflects the company's values of impeccable business and personal ethics, respect, teamwork, innovation, and excellence. The Code of Ethics recognizes the company's fiduciary duty to each client. This means the company shall act in the client's best interest at all times, and the client's interest shall always be placed ahead of the company's interest. Investment opportunities must be offered first to clients before the company may act on them. The Code of Ethics is designed to guard against violations of securities laws and to manage potential conflicts of interest.

All financial and investment advisors have some types of conflicts of interest. Each compensation method we use: hourly, flat fee, retainer, assets under management; poses some risks of our interests conflicting with the clients. For example, if you are paying assets under management fees and you ask a question regarding the following, there are potential conflicts of interest: taking a mortgage rather than paying cash, using cash to pay off a mortgage, gifting funds to charities, how much to put down on a home, paying cash for a car, purchasing annuities, travel, etc. Each time such a potential conflict of interest may arise, we will notify you of the conflict before providing any advice.

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**Participation or Interest in Client Transactions**

BEACH FINANCIAL ADVISORY SERVICE and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the BEACH FINANCIAL ADVISORY SERVICE *Compliance Manual*.

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**Personal Trading**

The Chief Compliance Officer of BEACH FINANCIAL ADVISORY SERVICE is Ron Pearson. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

## Brokerage Practices

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**Selecting Brokerage Firms**

BEACH FINANCIAL ADVISORY SERVICE does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. BEACH FINANCIAL ADVISORY SERVICE recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

BEACH FINANCIAL ADVISORY SERVICE recommends discount brokerage firms and trust companies (qualified custodians), such as TD Ameritrade.

BEACH FINANCIAL ADVISORY SERVICE *DOES NOT* receive fees or commissions from any of these arrangements.

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**Best Execution**

BEACH FINANCIAL ADVISORY SERVICE reviews the execution of trades at each custodian each quarter. The review is documented in the BEACH FINANCIAL ADVISORY SERVICE *Compliance Manual*. Trading fees charged by the custodians are also reviewed on a quarterly basis. BEACH FINANCIAL ADVISORY SERVICE does not receive any portion of the trading fees.

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**Soft Dollars**

BEACH FINANCIAL ADVISORY SERVICE does not accept direct compensation from anyone other than clients (i.e. no commissions, trail fees or 12(b)(1) fees). However we do receive some non-direct compensation as a result of our relationship with our custodian (TD Ameritrade). This includes duplicate confirmation statements and trade confirmations, access to the institutional trading desk and website, discounts on some software and services (such as research), access to certain mutual funds which generally require much higher minimum initial investments or are generally available

only to institutional investors, and electronic trading access. All clients benefit from these discounts as it reduces the firm's overall expenses.

The selection of TD Ameritrade as a custodian for clients is not affected by these discounts.

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**Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

## **Review of Accounts**

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**Periodic Reviews**

Account reviews are performed semi-annually for consistency with client's Investment Policy Statement (IPS), performance expectations, risk tolerance levels and other constraints particular to that client. They may be reviewed more often depending upon market conditions, changes in tax laws, new investment information, a change in client's situation, or a need to raise cash. We may recommend reallocating the portfolio to the asset allocation specified in the IPS; but will consider many factors including cash flow needs, degree the asset is out of balance, tax consequences, and trading expenses.

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**Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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**Regular Reports**

BEACH FINANCIAL ADVISORY SERVICE provides investment advisory and retainer clients quarterly or semi-annual reports. Reports include total portfolio asset value and a portfolio performance summary including all dividends and interest. Custodian provides monthly reports which include: listing of assets and their current valuations, listing of all transactions that occurred during the period, and listing of all management fees deducted from accounts.

## **Client Referrals and Other Compensation**

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**Incoming Referrals**

BEACH FINANCIAL ADVISORY SERVICE has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, personal friends and other similar sources. The firm does not compensate referring parties for these referrals.

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**Referrals Out**

BEACH FINANCIAL ADVISORY SERVICE does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

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**Other Compensation**

Not applicable.

## **Custody**

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**Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly.

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**Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by BEACH FINANCIAL ADVISORY SERVICE.

## **Investment Discretion**

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**Discretionary Authority for Trading**

BEACH FINANCIAL ADVISORY SERVICE accepts discretionary authority to manage securities accounts on behalf of clients. BEACH FINANCIAL ADVISORY SERVICE has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, BEACH FINANCIAL ADVISORY SERVICE consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the commission rates paid to the custodian. BEACH FINANCIAL ADVISORY SERVICE does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

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**Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

## Voting Client Securities

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### Proxy Votes

BEACH FINANCIAL ADVISORY SERVICE does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, BEACH FINANCIAL ADVISORY SERVICE will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

## Financial Information

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### Financial Condition

BEACH FINANCIAL ADVISORY SERVICE does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because BEACH FINANCIAL ADVISORY SERVICE does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## Business Continuity Plan

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### General

BEACH FINANCIAL ADVISORY SERVICE has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

### Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, chemical event, biological event, communications outages, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

## Information Security Program

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### Information Security

BEACH FINANCIAL ADVISORY SERVICE maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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**Privacy Notice**

BEACH FINANCIAL ADVISORY SERVICE, an independent financial planning firm, is committed to safeguarding the confidential information of its clients. I hold all personal information provided to my firm in the strictest confidence. These records include all personal information that I collect from you or receive from other firms in connection with any of the financial services provided by my firm. I do not disclose information to nonaffiliated third parties, except as permitted by law.

As you know, I use health and financial information that you provide to me to help you meet your personal financial goals while guarding against any real or perceived infringements of your rights of privacy. I have no employees and I maintain a secure office and computer environment. I do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose. I will maintain your personal information during the time you are a client, and for the required time thereafter that such records must be maintained to meet federal and state securities laws and consistent with the CFP Board Code of Ethics and Professional Responsibility. After this period of record retention, all such information will be destroyed.

## Brochure Supplement (Part 2B of Form ADV)

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### Education and Business Standards

BEACH FINANCIAL ADVISORY SERVICE has no employees and has not yet established standards.

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### Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

**Certified Financial Planner (CFP):** The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

**Accredited Estate Planner (AEP):** The AEP® designation is awarded by the National Association of Estate Planners & Councils to recognize estate planning professionals who meet special requirements of education, experience, knowledge, professional reputation, and character. An AEP® must meet **ALL** of the following requirements as established by the National Association of Estate Planners & Councils:

**1. Credential requirement.** To be eligible to be considered for the AEP® designation, the applicant must provide documentation of being licensed to practice law as an Attorney (JD) or to practice as a Certified Public Accountant (CPA), or of being currently designated as a Chartered Life Underwriter® (CLU®), Chartered Financial Consultant® (ChFC®), Certified Financial Planner (CFP®), or Certified Trust & Financial Advisor (CTFA), in any jurisdiction of the United States of America.

**2. Professional discipline engaged in estate planning requirement.** The applicant must be presently and significantly engaged in “estate planning activities” as an attorney, an accountant, an insurance professional and financial planner, or a trust officer. Estate planning encompasses the accumulation, conservation, preservation, and transfer of an estate through planning and implementation of an estate plan. The overall purpose of the estate planning process is to develop a plan that will maintain the financial security of individuals and their families. Estate planning has come to include lifetime planning that leads to conservation and transfer of assets. Estate planning should also facilitate the intended and orderly transfer of property at death, taking into consideration the family unit and the potential costs of different methods.

**3. Experience requirement.** A minimum of five (5) years of experience engaged in estate planning and estate planning activities is required in one or more of the professional disciplines described above. To be exempt from the education requirements described below, an applicant must have a minimum of fifteen (15) years of experience engaged in estate planning and estate planning activities in one or more of the professional disciplines described above.

**4. Education requirement.** The National Association of Estate Planners & Councils (NAEPC) has designated The American College, Bryn Mawr, Pennsylvania, as the primary provider of the education courses required to earn the AEP® designation.

**5. Membership requirement.** AEP® applicants are required to be members of, and

continuously maintain membership in, an affiliated local or regional estate planning council where such membership is available.

**6. Professional reputation and character requirement.** First, an applicant must continuously be in good standing with the applicant's respective professional organization and/or license authority (e.g., State Bar Association for attorneys, etc.). Second, an applicant must provide the names and addresses of three professional individuals as references. Finally, in addition to the three (3) professional references, the applicant must secure a completed Affiliated Local Estate Planning Council Membership Verification Form signed by the president of the council and one other council officer who will be asked to provide information on the applicant's professional capabilities, reputation and experience.

**7. Commitment to NAEPC Code of Ethics requirement.** The applicant must sign a declaration statement to continuously abide by the NAEPC Code of Ethics.

**8. Dedicated to team concept requirement.** The applicant must acknowledge a commitment to the team concept of estate planning by signing a declaration statement.

**9. Continuing education requirement.** The applicant must satisfy a minimum of thirty (30) hours of continuing education during the previous two calendar years, of which at least fifteen (15) hours MUST have been in estate planning. Applicants may be requested to produce documentation to substantiate any activity claimed.

**10. Annual dues and re-certification requirement.** Designation holders are required to continuously maintain annual membership in order to use the AEP® designation.

**11. Annual audit of certification requirements.** On an annual basis, the AEP® Committee will determine, with the approval of the NAEPC Board of Directors, the percentage of active designation holders to be audited.

**NAPFA-Registered Financial Advisor®:** NAPFA-Registered Financial Advisor® is the top level of membership in the National Association of Personal Financial Advisors (NAPFA). All NAPFA-Registered Financial Advisors® must have three years of comprehensive financial planning experience, have a sample comprehensive financial plan pass a peer review process. Since 2009 all NAPFA-Registered Financial Advisors® must possess a Bachelor's degree from an accredited institution. Currently new NAPFA-Registered Financial Advisors® must also possess either the Certified Financial Planner™ designation awarded by the Certified Financial Planner Board of Standards, Inc., or the American Institute of Certified Public Accountants' Personal Financial Specialist (CPA/PFS) credential. All NAPFA-Registered Financial Advisors® must also adhere to NAPFA's Fiduciary Oath, Standards of Membership and Affiliation, and Bylaws. NAPFA-Registered Financial Advisors must also comply with NAPFA's industry-leading strict continuing education requirements of sixty hours every two years. All NAPFA-Registered Financial Advisors® provide investment and/or financial advice on a strictly Fee-Only basis as defined by NAPFA, and continue to meet NAPFA's standards for strong character and adherence to the laws and regulation governing the profession.

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**Ron Pearson, CFP®, AEP®, NAPFA-Registered Financial Advisor®**

Educational Background:

- Date of birth: December 27, 1946
- Institutions (Year). BA Geology, Rice University 1968; MA Management and Human Relations, Webster University 1975; MA National Defense, Naval War College 1987.

Business Experience:

- US Navy retiring as a Captain (1968 - 1994)
- Beach Financial Advisory Service (1994 to present)

Disciplinary Information: Not applicable

Other Business Activities: None

Additional Compensation: None

Supervision:

Ron Pearson is the proprietor and sole employee.

Contact information:

757-428-6634 RON@BEACHFAS.COM

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None