

**BEACH FINANCIAL ADVISORY SERVICE**  
**6204 Ocean Front Ave.**  
**Virginia Beach, VA 23451**  
**(757) 428-6634**

***DISCLOSURE STATEMENT***

I, Ronald S. Pearson, am proprietor of the Beach Financial Advisory Service. As a Registered Investment Adviser, my firm is required to file with the Securities & Exchange Commission (SEC) and to make the information contained in that registration available to actual and prospective advisory clients.

This is a summary of information related to my personal financial planning activity. Individuals may request a copy of my SEC registration. This information material is frequently referred to as a "brochure."

**DESCRIPTION OF MY SERVICES**

I provide various levels of comprehensive personal financial planning for a fixed fee or an hourly fee, as well as various specialized analysis billed on a time and disbursements basis. I also provide investment management services which are billed on a percentage of the assets under management and a combination of continuing financial planning services and portfolio management which are billed as a percentage of assets under management. I do not hold personal securities or funds of any kind (take custody other than to withdraw management fees), nor do I vote proxies for client securities.

**FEE-ONLY FINANCIAL PLANNING**

Many consumers are rightfully concerned that a professional advisor render services on a truly objective basis - not influenced by potential commissions. Therefore all my planning is performed on that basis. Each plan concludes with a summary of recommendations and an "Implementation Checklist."

If a client wishes to take action in any area which involves the purchase of additional services or financial products, the client may use the services of others or may use my service to locate these other services and products. In such cases, a new and completely separate relationship is deemed to exist - one which is entirely at the discretion of the client to engage or discontinue.

## **COMPREHENSIVE FINANCIAL PLANNING**

Comprehensive personal financial planning is provided to clients pursuant to a written agreement and fee schedule. In general, the client agrees to complete my questionnaire and provide other relevant information and authorizations. I agree to prepare a written plan which describes the current situation, identifies needs and opportunities and makes recommendations designed to help the client achieve his or her goals. Comprehensive personal financial planning is primarily an analytical process designed to help the client articulate and quantify goals, organize financial data, identify needs and opportunities and evaluate alternative courses of action. It includes an analysis of current net worth, income taxes, cash flow, investments, employee benefits, estate and gift tax planning and risk management.

Attention is directed towards restructuring existing assets to achieve the planning objectives. For example, a plan might recommend that a particular security or securities be sold to realize a tax loss, provide diversification or to change from a growth related investment to an income related investment.

While comprehensive financial planning includes investment advice concerning securities, it also includes investment advice with respect to products that may not constitute "securities," such as certificates of deposit, life insurance and annuities. It also takes into consideration tax and estate planning issues which may not constitute "investment advice."

## **SPECIALIZED FINANCIAL ANALYSIS**

In addition to comprehensive financial planning, I provide specialized services which focus on particular client needs. These services are provided on a time and disbursements basis, pursuant to a written agreement. The kinds of services listed below are representative of those requested by my clients:

- \* Education Funding Analysis.
- \* Analysis of life, health and disability coverage.
- \* Estate liquidity and survivor income analysis.
- \* Financial planning for closely held businesses.
- \* Retirement Income Analysis and projection.
- \* Retirement Plan disbursement option analysis.
- \* Employee benefit plan analysis.
- \* Employer sponsored financial planning.
- \* Analysis of investment portfolios.
- \* Future Plan development for parents of disabled children.
- \* Financial Planning for the Seriously Ill

## **PORTFOLIO MANAGEMENT**

Portfolio Management services may result from the implementation of a financial plan or be contracted for separately. This service includes analysis of risk tolerance and investment knowledge, counseling regarding various investments, and discussions of client's financial goals and objectives. Client is given an outline of recommended investment vehicles and their percentage allocation to asset classes needed to achieve appropriate diversification. The analysis and design of the portfolio is based on portfolio optimization models and efficient frontier analysis. Factors used in the analysis include where the U.S. and global economies are in the business cycle, interest rate projections, growth projections and historical data. I select one or more mutual funds in each asset class to use as the specific investment vehicle. These mutual funds may be passively managed (index funds) or actively managed funds. Mutual funds are primarily held for the long term unless one of the analysis factors, a change in client risk tolerance (or circumstances), or a problem in the management of the fund indicates the need to move to another asset class or another fund in the asset class. Mutual funds and Exchange Traded Funds (ETFs) charge management fees that are separate from Beach Financial Advisory Service's fee. The client pays investment advisory fees to Beach Financial Advisory Service in addition to transaction fees to the custodian. The client may use any broker or dealer to execute transactions. At least twice annually the portfolio is reviewed and assets are redistributed maintaining the optimum percentage allocation. The client will authorize me to effect switches between mutual funds without prior notice to the client. I may purchase the same mutual funds I recommend to you, however, since I receive no commissions on the sale of any product, no conflict of interest is deemed to exist.

## **FEES, REFUNDS, CANCELLATION, ARBITRATION**

For a comprehensive plan or specialized financial analysis (such as one-time investment advice), one-half of the fee (based on expected effort at \$150 per hour) is due upon receipt of the executed engagement letter and the balance upon delivery of the completed plan. A client may cancel any contract at any time and receive a refund of fees paid in advance on a pro rata basis. In the event of a dispute, binding arbitration is used to avoid any litigation. However, the arbitration clause does not constitute a waiver of any rights provided under federal or state securities laws.

In a time and disbursements engagement, I request a deposit based on one-half of my lowest estimate of costs to be incurred. However, if it appears during the course of the engagement that total costs will exceed the top end of the estimate, I will notify the client, and will incur costs above that point only with prior authorization. A client may cancel at any time and be responsible only for expenses incurred to that point.

Advisory fees charged for individual investment management services are:

<u>Assets under Management</u>	<u>Percent of Net Assets</u>
\$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%

The minimum portfolio value required to qualify for portfolio management is \$500,000. The amount is negotiable. 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. Thereafter, the fee is one-half the annual asset management fee based upon the portfolio market value semiannually during the asset reallocation process. The establishment fee is due when the portfolio is set-up, and the reoptimization fee is due when the reoptimization analysis is completed. The client may pay management and transaction fees directly or have them paid from the client's account. If the written contract is terminated, any fee due is based on the pro rata share of the semiannual reoptimization percentage times the portfolio market value the day the written termination notice is received.

Some clients prefer to retain my services for both on-going financial planning advice and portfolio management. Advisory fees charged for annual retainer services and portfolio management services are:

<u>Assets under Management</u>	<u>Percent of Net Assets</u>
\$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%

## **TYPES OF PLANNING CLIENTS**

My planning services are provided primarily to individuals of the general public, professional persons, individual executives and employees under employer sponsored programs and to business entities regarding the affairs of the company and employee benefit plans.

## **TYPES OF SECURITIES EVALUATED**

In a comprehensive plan, I will evaluate the appropriateness of any securities or other investments owned, proposed for ownership or which I think could assist the client in achieving personal goals. Such investments may include, but are not limited to equities, corporate debt, municipal bonds, government securities, certificates of deposit, life insurance, annuities, mutual funds and limited partnership interests designed for certain tax benefits.

## **METHOD OF ANALYSIS AND INFORMATION SOURCES**

I keep abreast of general business conditions and changes in the law, taxation and various investment and insurance products. To this end, I review general business publications, tax services, technical journals and other materials relevant to the services provided.

## **THE INVESTMENT STRATEGIES**

All types of investment strategies are considered. I primarily use Modern Portfolio Theory to develop portfolios which minimize risk while maximizing return. I monitor client portfolios for long term performance, but I am not an advocate of market timing and thus do not typically make portfolio changes based upon short term market movement. Selection of an investment strategy and a portfolio to implement that strategy is based on the client's resources, objectives and risk tolerance.

## **MY PROFESSIONAL AFFILIATIONS**

I am active in a variety of professional associations. These organizations provide continuing education and an exchange of planning techniques. The following list does not, however, constitute an endorsement by those associations.

8/27/2007

Financial Planning Association  
National Association of Personal Financial Advisors

### **THE FIRM'S HISTORY**

Beach Financial Advisory Service (BFAS) was founded in 1994 to provide comprehensive financial advisory services to individuals, corporations and institutions on a fee only basis - without any requirement that they purchase financial products.

Ronald Steven Pearson is a Registered Investment Advisor (RIA) representative and a Certified Financial Planner practitioner. No other person is involved in determining or giving investment advice to clients. Mr. Pearson, born 12-27-46, possesses a Bachelors degree in Geology from Rice University (1968) and a Masters degree in Management from Webster University (1975). He served as an aviator in the U. S. Navy from 1968-1994 when he retired with the rank of CAPTAIN. He is not involved in any other business activities, nor is he a general partner in any partnership in which clients are solicited to invest.

Mr. Pearson also is past president of the Financial Planning Association of Hampton Roads and a volunteer trustee of the Virginia Beach Community Trust. He is a frequent speaker at the national, regional and local levels on a variety of financial planning topics. He is widely quoted in various publications, including USA Today, CNNfn, The Virginian Pilot, Investment Advisor magazine, Financial Planning magazine, Kiplingers magazine and many others. Mr. Pearson has appeared nationally three times: twice in the PBS TV show, *Right on the Money* and once on the Cable TV show *Retirement Living*.

### **REVIEW OF ACCOUNTS**

The accounts are reviewed at least semiannually for consistency with client's Investment Policy Statement, performance expectations, risk tolerance levels, and other constraints particular to each individual client. BFAS may review client portfolios more frequently depending upon market conditions, changes in tax laws, new investment information, a change in a client's own situation, or a need to raise cash. BFAS may recommend reallocating the portfolio to the asset allocation that is specified in the Investment Policy Statement. The decision to rebalance is based upon many factors, including client's cash flow needs, the degree to which the account is out of tolerance, tax consequences, and trading expenses.

Financial plans are reviewed annually and/or as often as client requires. Reviews are encouraged for significant changes in client's financial situation. Examples of significant changes are: large inheritances, meaningful changes in income, and lifestyle changes which alter goals and objectives. Financial plan reviews are attempted annually, but are only conducted with the consent of the client.

The above information is provided so that you might be aware of my background and operations. If you have any questions after reading this, please do not hesitate to ask.

### **Important Privacy Policy Information**

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.

### **Business Continuity Plan**

The goal of my Business Continuity Plan is to achieve a high level of confidence that the business can suffer a significant disruption, but still provide you with services within a short (24 to 36 hours) timeframe. I have instituted multiple backup strategies to insure critical data is safely stored but retrievable when needed. This Business Continuity Plan is tested on a routine basis.

Having evaluated all my relationships with critical business providers, I am confident that I can continue to serve you if my home office is disrupted or in the event of a major regional or national emergency. My planning encompasses both natural disasters (hurricane or tornado, flooding, winter storm, earthquake) and man-made disasters (loss of electricity, water, telephone, fire, bomb threats, chemical or biological disaster, cable outage, internet outage, loss of computer or loss of computer use due to a virus).

I have two local backups (a server and a laptop) as well as an online backup. My laptop has all the required files to conduct my business, including dial-up internet connection if away from the office. By forwarding phone calls to my cell phone (757-717-6222), you can reach me on my normal business line (757-428-6634) and I can be in business anywhere that has power (typically a motel room out of the area affected). Note: my cell phone is only on when I am away from the office, so do not routinely use that number to reach me.

In the event of my unexpected death, I have made arrangements with a trusted local financial advisor to help my spouse with the transition while maintaining services to you. Furthermore, I have made arrangements for my wife to sell the business to an advisor who meets stringent qualifications. You could choose to make the switch to him/her or transfer your accounts to another advisor/custodian at any time. You can also get direct contact with TD Ameritrade by calling 888-613-2401.

Additional details, including a copy of my Business Continuity Plan are available upon request. Feel free to contact me to discuss any questions or concerns you might have.