

**Efficient Frontier Advisors LLC**  
**108 County Road**  
**(Mailing address: Post Office Box 237)**  
**Eastford, CT 06242**  
**Phone: 860-974-0888**

**Web Site: [www.efficientfrontier.com](http://www.efficientfrontier.com)**

**November 1, 2010**

**FORM ADV PART 2  
BROCHURE**

**This brochure provides information about the qualifications and business practices of Efficient Frontier Advisors LLC. If you have any questions about the contents of this brochure, please contact us at 860-974-0888. 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 Efficient Frontier Advisors LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Efficient Frontier Advisors LLC is 111895.**

**Efficient Frontier Advisors LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## Table of Contents

<b>Advisory Business .....</b>	<b>1</b>
<b>Fees and Compensation.....</b>	<b>3</b>
<b>Performance-Based Fees and Side-By-Side Management .....</b>	<b>5</b>
<b>Types of Clients .....</b>	<b>6</b>
<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>7</b>
<b>Disciplinary Information.....</b>	<b>10</b>
<b>Other Financial Industry Activities and Affiliations .....</b>	<b>11</b>
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>12</b>
<b>Brokerage Practices .....</b>	<b>13</b>
<b>Review of Accounts .....</b>	<b>14</b>
<b>Client Referrals and Other Compensation.....</b>	<b>15</b>
<b>Custody .....</b>	<b>16</b>
<b>Investment Discretion .....</b>	<b>17</b>
<b>Voting Client Securities.....</b>	<b>18</b>
<b>Financial Information.....</b>	<b>19</b>
<b>Requirements for State-Registered Advisers .....</b>	<b>20</b>
<b>Additional Information .....</b>	<b>21</b>

## Advisory Business

### Form ADV Part 2A, Item 4

A. Efficient Frontier Advisors LLC's registration was granted by the U.S. Securities and Exchange Commission on August 3, 2001. Susan Felice Sharin is a principal, partner and the chief compliance officer of the firm. Ms. Sharin owns fifty (50%) percent of the equity of the firm. William James Bernstein is a principal and partner. Dr. Bernstein owns fifty (50%) percent of the equity of the firm. The firm is not publicly owned or traded. There are no indirect owners of the firm or intermediaries which have any ownership interest in the firm.

B. Efficient Frontier Advisors' practice currently consists of 100% investment supervisory services, that is, providing continual investment advice to each client based on the individual client's needs and personal circumstances.

The advisory relationship commences with a series of consultative sessions between Efficient Frontier Advisors LLC (EFA) and the client wherein they discuss the client's overall financial situation, focusing on investment objectives, risk tolerance, time horizon, asset-class preferences, and investment strategies. EFA then individually tailors an investment policy and portfolio, relying on client-supplied information as a starting point.

After the initial consultative sessions, which include one with each principal, EFA presents verbally and in writing the investment plan designed specifically for the client's managed portfolio. The advisor will assist the client in obtaining and completing the required paperwork to establish the necessary investment accounts.

Efficient Frontier Advisors LLC manages a client's portfolio using index and passively managed no-load funds. Asset allocation strategies, based primarily on modern portfolio theory, are employed. In addition, EFA's proprietary method of rebalancing is used extensively in tax-sheltered accounts; in taxable accounts, similar rebalancing strategies are used, but tax issues form an integral part of the methodology.

Regarding the fixed-income portion of the portfolio, the advisor generally recommends holdings in one or more bond funds (taxable and/or tax-exempt), individual laddered U.S. Treasuries, and FDIC-insured CDs, as appropriate to the client's circumstances.

The two principals communicate with the client as needed to manage the investment portfolio and to remain in regular contact. EFA will rely on the client to convey promptly any important changes in the client's financial situation. Note that the advisor generally will not offer advice on individual stocks or corporate bonds.

Efficient Frontier Advisors LLC provides the following reports to clients: at the end of the initial phase, a written statement detailing the recommended investment plan; quarterly, status reports by telephone to touch base with the client; and semi-annually, unless otherwise agreed upon, written reports detailing portfolio investments and performance versus the benchmarks. In addition, the primary custodian, TD Ameritrade Institutional, provides monthly statements that itemize all account holdings and activity.

Efficient Frontier Advisors LLC does not vote proxy statements on behalf of advisory clients.

C. The firm manages each client's portfolio on an individualized basis. Clients may impose restrictions.

D. The firm does not participate in wrap programs.

E. As of October 31, 2010, the firm managed assets on a discretionary basis in the amount of \$186,883,000. This represented 67 accounts.

## Fees and Compensation

### Form ADV Part 2A, Item 5

#### INITIAL FEE

Efficient Frontier Advisors LLC charges an initial fee for the series of consultative meetings at the onset, the investment policy (asset-allocation design), specific investment recommendations, and initial written report detailing the investment strategy and implementation plan. This fee ranges from \$5,000 to \$20,000, depending on the size and complexity of the portfolio, payable at the time of signing the advisory contract. The client may rescind the investment advisory contract within five business days of signing and receive a full refund, less \$300 per hour for advisory services already rendered. The initial fee is negotiable solely at the advisor's discretion.

#### ANNUAL MANAGEMENT FEE

The advisor charges an annual management fee of 0.32% on the first \$10 million in assets plus 0.20% on all assets above \$10 million. The annual management fee is payable in arrears in four quarterly installments: at the end of each quarter, the advisor bills an amount equal to one-quarter of the calculated annual fee with a minimum quarterly fee of \$10,000. Any partial quarters are pro-rated. Advisory fees are negotiable solely at the advisor's discretion. Efficient Frontier Advisors LLC shall not be compensated on the basis of a share of capital gains or capital appreciation of client funds.

#### OTHER COSTS

In addition to fees paid to Efficient Frontier Advisors LLC the client will incur transaction fees and the usual expenses charged by mutual fund companies.

#### ONE-TIME CONSULTATION FEE

EFA occasionally had provided one-time consultation services. The advisor has not done so since early 2002 and has no plans to resume such a service.

#### TERMINATION OF MANAGEMENT FEE

Either party may terminate the investment advisory contract at any time by sending a written communication. The ongoing basic management fee will cease at that point, and the advisor will bill the client for that portion of the quarter already elapsed.

#### MINIMUM PORTFOLIO SIZE

The minimum portfolio size for ongoing management is \$25 million, negotiable solely at the advisor's discretion. Due to the limited number of clients the advisor intends to work with, Efficient Frontier Advisors LLC will consider prospective clients vis-à-vis their rapport with the principals, a match in investment philosophy, and overall fit between the prospective client's needs and the firm's services.

**Performance-Based Fees and Side-By-Side Management**

Form ADV Part 2A, Item 6

Not Applicable (None).

## **Types of Clients**

Form ADV Part 2A, Item 7

### **CLIENTS**

The types of clients which the firm currently advises are individuals, trusts, estates, foundations and other charitable organizations.

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

Form ADV Part 2A, Item 8

### ANALYSIS METHODS

Efficient Frontier Advisors LLC manages equity investments using no-load funds. The method of analysis and selection is based on the cumulative investment experience and research of the partners, but can best be summarized as follows:

After determining the appropriate target allocations of cash, bonds, and equity investments for a client's portfolio, the advisor selects specific funds within the asset and sub-asset classes. Factors include:

- Mean variance analysis and portfolio back testing, as well as a conservative and realistic appraisal of the expected future returns of the asset classes employed.
- The fund's fee structure. The advisor seeks funds with low annual expense ratios. The advisor endeavors to construct a portfolio of funds with an average expense ratio well under one percent.
- Passive management. The advisor makes selections based on fund expenses, turnover, tracking error, and overall level of experience in this area.
- Active management. In the rare instance of using an actively managed fund, the advisor seeks managers that have had long, venerable careers. In addition, the advisor looks for continuity of management with the given fund.
- The fund's track record. The advisor analyzes the fund's track record, especially under the fund manager currently in place.
- The advisor does not restrict selections to only pure asset-class funds.

Efficient Frontier Advisors LLC manages bond investments using a combination of no-load taxable and tax-exempt bond funds, U.S. Treasuries, and FDIC-insured CDs. The advisor analyzes bond funds with guidelines similar to the above. If the client already owns individual tax-exempts, the advisor will rely on ratings services (Standard & Poor's, Moody's, etc.) and will recommend keeping only AA or AAA-rated bonds unless the maturity is no more than three years. Treasuries and FDIC-insured CDs (within the limits of coverage) are assumed to be free of default risk and are not analyzed.

## INVESTMENT STRATEGIES

Efficient Frontier Advisors LLC will recommend an initial allocation of assets (among stocks, bonds, and cash) based on client objectives, time horizon, risk tolerance and, within certain limits, client preferences. The approach favors a wide range of globally-diversified assets, using modern portfolio theory to assess the optimal characteristics of a portfolio for each client's unique financial circumstances.

The equity strategy involves long-term investments (held at least five years and ideally, ten years or longer) in no-load stock funds. The advisor believes the securities markets to be generally efficient, that few active managers reliably exceed benchmark returns in the long run, and that it is nearly impossible to identify in advance those few who will provide returns in excess of the benchmark. Efficient Frontier Advisors LLC thus endeavors to use passively managed funds wherever possible.

The advisor generally selects a combination of large-cap, small-cap, international, and, to a lesser extent, hybrid and core funds; the selection has a bias toward low multiples of book, earnings, and cash-flow aggregate values. In determining portfolio design, the advisor considers the amount of assets being invested, the client's particular circumstances, and how each asset affects overall portfolio behavior.

Portfolio rebalancing is a key part of the investment strategy. In tax-sheltered accounts, individual asset classes are rebalanced when allocations exceed certain limits, based on a proprietary method involving asset-class volatility, expected return, and covariance with the remainder of the portfolio. For taxable accounts, a similar rebalancing method is used, but tax issues constitute an integral part of the equation.

Efficient Frontier Advisors LLC manages bond investments within the portfolio using no-load bond funds and individual laddered U.S. Treasuries, FDIC-insured CDs, and/or municipal bonds (if the client already owns individual municipals). In the case of bond funds, the advisor generally chooses short- and/or intermediate-term funds where the average maturity is under ten years.

## RISK OF LOSS

First and foremost, the advisor believes that, particularly during periods of high market volatility, there are only two kinds of assets in a portfolio: *risky* assets, mainly comprising stocks, but also including low-quality and longer-duration bonds, and *low-risk* assets, mainly short-duration, very high quality bonds. The former must, in the judgment of the advisor, have significantly higher expected returns than the latter to warrant their inclusion in the portfolio. Risky assets can sustain losses, under extraordinary circumstances, of more than 50%, whereas low-risk assets should be expected to retain most of their value.

The advisor considers only the volatility of the *overall* portfolio in constructing its design; this is determined primarily by the mix of risky and low-risk assets. While the advisor takes into consideration the historical correlations and volatilities among the risky assets in the portfolio, the advisor believes that the use of mean-variance-based “black box” techniques are of extremely limited value in portfolio design.

The advisor does not believe there are benefits from market timing and does not employ any such strategies. However, the advisor *does* believe that expected returns vary with market valuation and will occasionally adjust the allocation of risky assets in a direction *opposite* valuation changes.

**Disciplinary Information**

Form ADV Part 2A, Item 9

Not applicable (None).

### Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

#### AFFILIATED FIRM

Susan Sharin is principal of Susan F. Sharin, L.L.C., a state-registered investment advisory firm. She maintains her original, separate practice, but devotes at least half of her time to Efficient Frontier Advisors LLC. No financial arrangements (no referral fees or other monetary considerations) exist between the two practices.

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

### Form ADV Part 2A, Item 11

#### CODE OF ETHICS AND TRADING PRACTICES

The partners of Efficient Frontier Advisors believe strongly in their chosen investment strategy and will, of necessity, own many of the same funds as clients. Thus, William Bernstein and Susan Sharin may buy and sell for themselves mutual funds that they also recommend to clients. They believe that there are no conflicts of interest in these transactions due to the open-end structure of mutual funds and the very large size of the selected funds relative to the expected size of the partners' and clients' transactions.

Regarding closed-end funds, in the rare occurrence of simultaneous investments, client transactions will have precedence over those of the partners and will be entered first. In any case, the client will be assigned the more advantageous execution on a given day.

Efficient Frontier Advisors LLC is in compliance with and shall continue to be in compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, the firm has required Sharin and Bernstein to sign the firm's "Agreement to Abide" which compels compliance with the insider trading statute.

Efficient Frontier Advisors LLC maintains full compliance with personal securities trading practices, that is, with SEC Regulation 275.204-2(a)(12). Also, the firm has adopted a written Code of Ethics in compliance with SEC Rule 204A-1. The code sets forth the standards of conduct and requires compliance with federal securities laws. The code also addresses personal trading and requires all personnel to report their personal securities holdings and transactions to the firm's Chief Compliance Officer. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

## Brokerage Practices

Form ADV Part 2A, Item 12

### INVESTMENT DISCRETION

Efficient Frontier Advisors LLC has limited trading authorization over each client account, allowing the advisor to enter transactions directly for client portfolios. However, the firm does not vote proxies for clients.

### BROKERAGE SUGGESTION

The advisor will generally recommend that clients use TD Ameritrade Institutional as broker and custodian for the assets to be managed. Accounts are insured with the usual \$500,000 of SIPC insurance plus additional insurance coverage up to the full value of the account. Naturally, this insurance does not cover changes in value due to market fluctuations. The selected custodian, TD Ameritrade Institutional, also provides clients of the advisor with money market funds that are among the highest yielding in the industry, competitive transaction fees on mutual funds, and very low commissions on Treasury transactions. By way of an annual "Best Execution Survey," the advisor continually monitors custodian offerings and compares them with the TD Ameritrade Institutional platform.

The advisor does not receive any products or research services in return for directing client transactions.

## Review of Accounts

Form ADV Part 2A, Item 13

### CLIENT REVIEWS AND REPORTS

Efficient Frontier Advisors reviews client portfolios at least monthly, but generally on a weekly or even daily basis. The following are triggering factors for an in-depth review: a major change in client circumstances; a large deposit to or withdrawal from the portfolio; a dramatic move in market valuations; a change in fund management, fee structure, or fund objectives; or a prolonged negative tracking error of a passively managed fund with respect to its relevant benchmark.

Verbal reports: The advisor will provide quarterly reports by telephone, updating clients on the status of their portfolios, unless otherwise agreed upon.

Written reports: Clients will receive monthly reports from their brokerage-house custodian, showing the value of account holdings and all activity. Unless otherwise agreed upon, the advisor will provide written semi-annual and annual reports, detailing the portfolio holdings, asset allocation, and performance versus the benchmarks.

## Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

### ADDITIONAL COMPENSATION

William Bernstein has written several books about finance, economics, and history. In the course of his work as a writer, Bernstein will give occasional talks for no direct compensation (other than lodging and transportation costs if travel is involved). However, these speeches could indirectly benefit Efficient Frontier Advisors LLC in some way, such as by attracting new clients or other consulting business for the advisory firm. Also, these speeches would likely result in increased sales of Bernstein's books.

### CLIENT REFERRALS AND SOLICITATION ARRANGEMENTS

Not Applicable (None).

**Custody**

Form ADV Part 2A, Item 15

Not applicable (None).

### Investment Discretion

Form ADV, Part 2A, Item 16

#### DISCRETION

Efficient Frontier Advisors LLC has limited trading authorization over each client account, allowing the advisor to enter transactions directly for client portfolios. However, the firm does not vote proxies for clients.

### **Voting Client Securities**

Form ADV Part 2A, Item 17

#### **PROXY VOTING**

The firm does not vote proxy statements on behalf of advisory clients.

**Financial Information**

Form ADV Part 2A, Item 18

Not applicable (None).

**Requirements for State-Registered Advisers**

Form ADV Part 2A, Item 19

Not applicable (None).

**Additional Information**

None.