

**Loftus Investment Advisors**

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**Firm Brochure**

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Betty R. Loftus, CFP® dba Loftus Investment Advisors. If you have any questions about the contents of this brochure, please contact us by phone or e-mail. Additional information about Betty R. Loftus, CFP® and Loftus Investment Advisors is also available at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

May 31, 2012

**Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

**Material Changes since the Last Update**

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, effective June 28, 2012, Loftus Investment Advisors will transition its supervision from the U.S. Securities Exchange Commission to the California Department of Corporations.

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**Firm Description**

Loftus Investment Advisors was founded in 1992 by Betty R. Loftus. There is currently one Certified Financial Planner™ designee, who is also an Investment Advisor, and one administrative staff. The firm is registered with the California Department of Corporations.

**Principal Owner**

Betty R. Loftus is the sole owner of Loftus Investment Advisors

**Types of Advisory Services**

Clients of Loftus Investment Advisors fall into two main areas.

The first area is services that are provided on a one-time basis and involve the development of a comprehensive investment and financial plan including investment strategies and specific investment recommendations. In providing this service we will request that our clients provide an inventory of their investments and related financial information. The inventory of investments would include detailed information on Securities, Real Estate, Insurance, and other investments. Examples of related financial information would include financial objectives, income tax data, retirement data, and educational cost data.

The next step is to develop with the client his goals and objectives. Based on this information, we develop a comprehensive investment and financial plan.

The fee we will charge for the development of a comprehensive plan will be at our hourly rate of \$200. The maximum fee for a financial plan ranges up to \$3,000, depending upon complexity of information involved. The fees will be billed after the review. Fees are negotiable.

Secondly, we provide a Portfolio Asset Allocation Report. This service is available to clients who desire ongoing investment advice, and monitoring and reporting for their investment portfolio. The client will provide an inventory of their investments and related information. The next step is to develop with the client his investment goals and objectives, i.e., growth, income, growth & income, tax-free income, etc. In addition, risk is discussed and its relationship to the achievement of his investment goals. Next, allocations of his investment dollars are determined with the client and an asset allocation model is developed and determinations are made as to the percentage of his investment dollars that will go into each category of assets.

An example of categories of assets and percentages might be: Equity Investments: 60%, Fixed Income Investments: 35%, Cash & Equivalents: 5%. Next, specific investments are identified for the client that fall within each asset category and the investment strategy is then implemented. Ongoing reviews are

held with the client on at least an annual basis and the asset allocations are then adjusted to meet the client's goals and objectives as needed.

All investments are made by direction of the client and Loftus Investment Advisors has no discretionary power over client's assets or investments. Client is under no obligation to act upon the recommendations. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment advisor. Loftus Investment Advisors does not receive fees or other compensation from the sale of securities or other products or services recommended in any financial plan provided to the client. Therefore, there is no conflict of interest.

### **Wrap Fee Programs**

Loftus Investment Advisors does not participate in wrap fee programs.

### **Managed Assets**

As of 12/31/11, Loftus Investment Advisors was managing \$43 million on a non-discretionary basis.

## **Fees and Compensation**

## **Item 5**

### **Description**

The firm's compensation is solely from fees paid directly by clients. The firm does not receive commission based on the client's purchase of any financial product. No referral fees are paid or accepted.

Fees are offered on the following basis:

A.	Total Assets*	Annual Percentage Fee
	\$ 100,000 to \$ 249,999	2.00%
	\$ 250,000 to \$ 499,999	1.75%
	\$ 500,000 to \$ 749,999	1.50%
	\$ 750,000 to \$ 999,999	1.25%
	Over \$ 1,000,000	1.00%

\*Accounts may be combined to determine total assets. When total dollars pass to next higher bracket, all dollars will be billed at the new lower percentage.

### **OR**

B. Hourly rates for Financial Planning Services:

Advisor's Time:	\$200.00 per hour
Administration Time:	\$100.00 per hour

All fees are negotiable. Fees are calculated including accrued interest, which may show the assets to be higher than that shown on custodian's statement, as custodian generally does not accrue interest. Lower fees for comparable services may be available from other sources.

We currently require a minimum of \$500,000 of assets under this service for new clients. A portfolio set-up fee may apply. The set-up fee will be billed at either a flat-negotiated rate or our hourly rate of \$200 per hour. Contract remains in force until terminated by written notice. Fees are billed each quarter, in advance, from client custodial accounts. The client may choose to be billed directly on the same basis. The service agreement may be terminated by either party with thirty (30) day written notice and the quarterly fee paid in advance will be prorated to date of termination and a refund of the unused portion paid to the client within ten (10) days of date of termination. Notices to be mailed or hand-delivered to the usual business address of applicant as shown on this form and last known home address of the client.

#### **Other Fees**

All assets are held at a third party, non-affiliated, brokerage (ie., like Charles Schwab) who may charge transaction fees for certain types of purchases. LIA does not receive any of those fees. See each custodian's disclosure document and Item 12.

Clients whose assets are invested in mutual funds and exchange traded funds are charged a separate management fee by these funds in addition to our investment advisory fee. Client should refer to prospectus, which discloses all relevant fees.

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### **Performance-Based Fees**

**Item 6**

#### **Sharing of Capital Gains**

Loftus Investment Advisors does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk to the client. However, the nature of asset-based fees allows LIA to participate in the growth of the client's wealth. This also means that our fees can decline when the client's portfolio declines in value.

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### **Types of Clients**

**Item 7**

#### **Description**

Loftus Investment Advisors generally provides investment advice to Individuals, Pension and Profit Sharing Plans, Revocable Trusts, Irrevocable Trusts, and Charitable Trusts. Client relationships vary in scope and length of service. LIA presently requires \$500,000 as the minimum dollar value of assets for new clients.

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

The main sources of security analysis include Morningstar reports, manager webcasts, financial periodicals, and industry conferences.

**Investment Strategies**

We follow an investment process that is individualized, based upon analyzing a client's age, risk tolerance, and personal goals and objectives, as described in Item 4. The investment strategy for a specific client is based upon the objectives, income needs, and tax situation stated by the client during consultations. The client may change these objectives at any time. The client's goals and objectives are written down during meetings and via correspondence with the client. Each client portfolio is constructed solely for that client. We do not use model portfolios, and we do not utilize composites to illustrate results.

Primary investments include stock and bond mutual funds, exchange traded funds (ETF's), individual stocks, individual bonds, CD's, and cash equivalents.

**Risk of Loss**

All investment programs involve risk of loss that *clients* should be prepared to bear.

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**Disciplinary Information****Item 9****Legal and Disciplinary**

Loftus Investment Advisors has not been involved in any legal or disciplinary events related to past or present activities.

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**Other Financial Industry Activities and Affiliations****Item 10****Activities**

Loftus Investment Advisors does not participate in any other business activities.

**Affiliations**

Loftus Investment Advisors does not have arrangements that are material to its advisory business or its clients with any related person.

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

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### **Item 11**

#### **Code of Ethics**

Loftus Investment Advisors has committed to a Code of Ethics and Fiduciary Standard. The key points are: putting the clients' interest first, objectivity, confidentiality, competence, fairness and suitability, integrity and honesty, regulatory compliance, full disclosure, and professionalism. CFP® designees are also held to a Code of Ethics as outlined by the CFP® Board of Standards. (See Item 21 for details on the CFP® designation.) The firm will provide a copy of our Code of Ethics to any client or prospective client upon request.

#### **Participation or Interest in Client Transactions**

In certain cases advisor may purchase securities for its own account that it also recommends to clients. Advisor will comply with Federal requirements to ensure the clients' interest is placed before that of the advisor.

## **Brokerage Practices**

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### **Item 12**

#### **Selecting Brokerage Firms**

Loftus Investment Advisors does not maintain custody of client assets. Specific custodian recommendations are made to clients based on the proven integrity and financial responsibility of the firm, best execution of orders, and the quality of client service.

Loftus Investment Advisors does not receive fees or commissions from any brokerage arrangements, although benefit is received from electronic delivery of client information, electronic trading platforms and other services provided by custodians for the benefit of clients. Loftus Investment Advisors may also benefit from other services provided by custodians, such as research, continuing education, and practice management advice. These benefits are standard in a relationship with these custodians and are not in return for client recommendations or transactions.

Loftus Investment Advisors recommends Charles Schwab Institutional Services brokerage. Client may select any broker dealer of client's choosing.

#### **Soft Dollars**

Loftus Investment Advisors does not receive soft dollar benefits from the custodians to whom we recommend clients.

#### **Directed Brokerage**

When more than one account is trading a particular stock or ETF on the same day, block trading may be used to get identical pricing on the trades.

**Periodic Reviews**

Betty Loftus conducts account reviews with clients. The frequency of reviews is individually negotiated with each client. Clients are provided with quarterly, semi-annual, or annual reviews, which may include asset allocation updates and rebalancing, investment performance reviews, etc.

**Review Triggers**

Account reviews may be performed more frequently when market conditions dictate, or when a client's objectives change. A review may be triggered by client request, changes in market condition, new information about an investment, changes in tax laws, or other important changes.

**Regular Reports**

Written reports are delivered to clients based on their negotiated frequency of reviews. The reports may consist of an individualized letter summarizing the results of the review and our general thoughts on the economy, and a statement of holdings and performance from our portfolio accounting software. Additionally, tax-related information is provided annually, if applicable.

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**Client Referrals and Other Compensation****Item 14****Incoming Referrals**

Loftus Investment Advisors receives referrals from current clients, estate planning attorneys, accountants, employees, personal friends, and other sources. The firm does not pay for referrals.

**Referrals to Other Professionals**

Loftus Investment Advisors 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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**Custody****Item 15****Account Statements**

All client assets are held at qualified custodians, who provide account statements directly to clients at their address of record at least quarterly. Clients are encouraged to carefully review the statements provided by their custodians.

**Statements Provided by Loftus Investment Advisors**

Loftus Investment Advisors provides clients with account statements generated from our portfolio accounting software. Clients are urged to compare the

statements they receive from LIA to those they receive from their qualified custodians.

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**Investment Discretion****Item 16****Discretionary Authority for Trading**

It is understood and agreed that all investments are made by direction of the client and that LIA has no discretionary power over client's assets or investments. Client has executed a "Limited Trading Authorization" through Charles Schwab Brokerage or any broker of clients choosing. It is understood and agreed that any final decisions as to purchases and sales in client's account are made at client's direction.

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**Voting Client Securities****Item 17****Proxy Votes**

Loftus Investment Advisors does not have authority to vote client securities. Client will receive proxies or other solicitations directly from their custodian.

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**Financial Information****Item 18****Financial Condition**

Loftus Investment Advisors does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients, nor has Betty Loftus or the firm been the subject of a bankruptcy petition at any time. A balance sheet is not required to be provided because LIA does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$500 per client, six months or more in advance.

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**Requirements for State Registered Advisers****Item 19****Education and Business Standards**

Loftus Investment Advisors would generally require the following qualifications for our staff providing advisory services: Advisory associates will comply with examination and qualification requirements in each of the states where LIA conducts business. Several years of experience in an investment field, for example, real estate, securities, or insurance. Desirable qualifications would include licensure as a Certified Financial Planner, Certified Public Accountant, or Certified Employee Benefit Specialist. In addition, we would require at least five years actual experience working in the field of financial services, e.g., insurance, real estate, investment business, management, etc.

**Betty R. Loftus, CFP®****Educational Background**

- Year of birth: 1943
- Received B.S. degree in Business with minor in Economics from Ohio State University, Columbus, Ohio, in 1965.

**Business Experience**

- Received the Certified Financial Planner (CFP®) designation in November 1987.
- Ms. Loftus formed Loftus Investment Advisors, a sole proprietorship, on 8-21-92.
- Ms. Loftus served as President and Former Vice President of Planning with Pacific Planning Consultants, Inc., from 8-84 to 8-21-92.
- Ms. Loftus was a registered principal with Foothill Securities, Inc. from 1-97 to 1-7-05.
- Ms. Loftus is a member and former President and Board Member of the International Association for Financial Planning (IAFP) Sacramento Chapter, and member of the Institute of Certified Financial Planners (ICFP). The IAFP and ICFP merged in 2000 and became the FPA, Financial Planning Association.
- Ms. Loftus is a member and has served on the Board of Directors as President, as well as other positions, of the Sacramento Estate Planning Council.

**Performance-based fees or Additional Compensation:** None

**Disciplinary Information:** None

**Other Professional Activities:** None

**Professional Certifications**

As a Certified Financial Planner™ (CFP®), a fiduciary standard exists between the advisor and the client.

**Certified Financial Planner™**

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.

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.

### **Neva G. Basques**

As the Office Manager of Loftus Investment Advisors, Neva Basques handles the operations of the office including: reception, client services, bookkeeping, billing, quarterly report preparation, downloads, posting, trade and account reconciliation.