

**Item 1 – Cover Page**

**Godfrey Financial Associates, Inc.  
19W British American  
Boulevard Latham, NY 12110  
1.518.220.9381**

<http://www.godfreyfinancial.com>

01/01/2013

This brochure provides information about the qualifications and business practices of Godfrey Financial Associates, Inc. If you have any questions about the contents of this brochure, please contact Kathleen Godfrey at 1.518.220.9381 and/or [kgodfrey@godfreyfinancial.com](mailto:kgodfrey@godfreyfinancial.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. Godfrey Financial Associates, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

The oral and written communications of an adviser provide you with information with which you determine to hire or retain an adviser. Kathleen Godfrey founded Godfrey Financial Associates in 1995. Her BA degree is from the State University of NY at Albany and her MBA is from the State University of NY at Albany.

Additional information about Godfrey Financial Associates, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published Amendments to Form ADV which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure, dated 01/01/2012, is a document prepared according to the SEC's new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this item will discuss only specific material changes that are made to the brochure and provide clients with a summary of these changes. We will also reference the date of our last annual update of this brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of the business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, this brochure may be requested by contacting Kathleen Godfrey, President, Godfrey Financial Associates, Inc. at 1-518-220-9381 or [kgodfrey@godfreyfinancial.com](mailto:kgodfrey@godfreyfinancial.com).

Additional information about Godfrey Financial Associates is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Godfrey Financial Associates, Inc. who are registered, or are required to be registered, as investment adviser representatives of Godfrey Financial Associates, Inc. We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

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**The supplement shown below is not applicable to Godfrey Financial Associates. Therefore, Godfrey Financial Associates is not required to include this information in this brochure.**

- **Part 2A, Appendix 1: The “Wrap Brochure”** - Godfrey Financial Associates, Inc. does not sponsor a wrap fee program. Therefore, **Part 2A, Appendix 1** is not applicable to Godfrey Financial Associates, Inc.

#### **Item 4 – Advisory Business**

Godfrey Financial Associates, Inc. provides a copy of ADV Part 2 to every client and a copy will be provided to any prospective client upon request. Fees are non-negotiable. The factors considered are the size of the account. Assets under management as of 12/31/2012: \$36,200,000.00

#### **Item 5 – Fees and Compensation**

Fees assessed on investment accounts are not subject to negotiation. The specific manner in which fees are charged by Godfrey Financial Associates, Inc. is established in a client's written agreement with the firm. Godfrey Financial Associates, Inc. bills its investment account fees on a quarterly basis. Clients may elect to be billed directly for fees or to authorize Godfrey Financial Associates, Inc. to directly debit fees from the client's accounts. Management fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter unless otherwise agreed to in writing. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Godfrey Financial Associates, Inc. charges a fee for financial consultation and planning. Godfrey Financial Associates, Inc. holds itself out to the public as a financial planner and charges an hourly consulting fee of \$250 per hour. Financial planning services include an analysis of each client's financial situation, and appropriate recommendations developed to help a client achieve their long and short term goals and objectives. Financial consulting fees are not negotiable.

Consulting fees and asset management fees are exclusive of brokerage costs such as: transaction fees and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of Godfrey Financial Associates, Inc. consulting and/or asset management fees, and neither Godfrey Financial Associates nor Kathleen Godfrey shall receive any portion of these commissions, fees, and costs.

As part of the implementation of a client's Financial Plan, life insurance, disability insurance, long term health care insurance or fixed annuities may be deemed to be a prudent financial choice. This is often the case where a client wishes no exposure to market risk whatsoever, or has a clear and compelling need for indemnification. Godfrey Financial Associates, Inc. coordinates with independent insurance agents and brokers to meet these needs.

**Part 2A of Form ADV: Godfrey Financial Associates, Inc. Brochure**

Investment assets that are managed by Godfrey Financial Associates, Inc. are charged an asset management fee as follows:

<b><u>Account Value</u></b>	<b><u>Quarterly Fee</u></b>	<b><u>Annual Fee</u></b>
First \$1,000,000	0.25% per quarter	1.00% per year
Next \$4,000,000	0.1875% per quarter	0.75% per year
Next \$5,000,000	0.125% per quarter	0.50% per year
Next \$5,000,000	0.075% per quarter	0.30% per year

Compensation is non-negotiable and is not collected in advance. Fees are collected quarterly and are billed directly to a client's account. The fee is calculated based on the account ending balance as of the last business day of the prior quarter. Godfrey Financial Associates, Inc. may choose to reduce this and any other fees for charitable or nonprofit organizations.

**Item 6 – Performance-Based Fees and Side-By-Side Management**

Godfrey Financial Associates, Inc. does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

**Item 7 – Types of Clients**

Godfrey Financial Associates, Inc. provides portfolio management services to individuals, small businesses (e.g., SEP-IRA, SIMPLE-IRA and Individual 401K plans), non-profit organizations, trusts and endowments.

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

Investing in securities involves risk of loss that clients are prepared to bear. First, a meeting is held with each client to decide on percentage allocations to various asset classes, such as U.S. stocks, international stocks, U.S. and international bonds, and cash. The various allocations are then implemented using low-cost investment products. For example: The fixed income portion of the portfolio may be invested in Treasuries or other government debt. Maturity dates are generally staggered with maturity dates not longer than five years. The equity portion of the client's portfolio is invested in a diversified mix of low cost mutual funds, exchange traded funds, or individual equities based on an asset allocation designed to reflect the client's risk tolerance and time frame.

The clients' portfolios are reviewed at least quarterly and are rebalanced on an annual basis or more frequently if needed. Regardless of market conditions, clients are encouraged to stick with the asset allocation developed for them. Godfrey Financial Associates does not use pre-set asset allocation models; each asset allocation is developed specifically for each client, taking into account that person's needs for liquidity, risk tolerance, and other factors.

The risk of investing in mutual funds and exchange-traded funds is that stocks are volatile—the funds can lose value. This is discussed with each client prior to opening an investment brokerage account.

Trading of securities can affect investment performance, particularly through increased brokerage and other transaction costs and taxes, so Godfrey Financial Associates holds investments for the long term and does not engage in frequent trading.

Godfrey Financial Associates uses independent sources of research (Morningstar, Thompson Reuters, etc.) as a tool in evaluating mutual funds on a variety of indicators: overall fund costs, measures of volatility, short and long term performance relative to peer group, etc.

## **Item 9 – Disciplinary Information**

Kathleen Godfrey has never been disciplined. Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Kathleen Godfrey or the integrity of her management. Kathleen Godfrey has never been disciplined, so she has no further information applicable to Item 9.

No financial professional currently affiliated with Godfrey Financial Associates has ever been disciplined.

## Item 10 – Other Financial Industry Activities and Affiliations

Kathleen Godfrey has no other financial industry activities and affiliations other than with her firm, Godfrey Financial Associates.

## Item 11 – Code of Ethics

Godfrey Financial Associates Code of Ethics sets forth standards of conduct and requires compliance with securities laws. Its policies and procedures relating to personal investment activities are below. Kathleen Godfrey is the firm's founder and designated supervisor.

**Confidentiality:** Godfrey Financial Associates, Inc. does not share or sell client information in any way, shape, or form.

**Conflicts of interest:** Godfrey Financial Associates will receive economic benefit from any of the custodial firms that it recommends: Benefits to Godfrey Financial Associates include research related services, tools used to place trades, duplicate documents, and having the clients' advisory fee deducted from the clients' accounts. Godfrey Financial Associates currently recommends Fidelity Investments, Inc. based on the reasonableness of costs for services they provide.

Insurance commissions may be received if fixed insurance products are brokered on behalf of a client. This is disclosed on page 1, under "Fees and Compensation" Fixed insurance products are only recommended when they are appropriate for the implementation of a client's Financial Plan.

**Trading:** Kathleen Godfrey and the professionals of Godfrey Financial Associates, Inc. base investment decisions on each client's investment objective. Godfrey Financial Associates does not own any securities, nor will it buy or sell securities for its own account. Kathleen Godfrey (or associated financial advisors) anticipate that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which she (or they) has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which she (or they) directly or indirectly has a position of interest. Kathleen Godfrey (or associated advisors) may trade for her own accounts in securities which are recommended to and/or purchased for clients. The Firm's Code of Ethics is designed to assure that the personal securities transactions will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions. Trading is continually monitored to reasonably prevent conflicts of interest between Kathleen Godfrey and associated financial advisors and the firm's clients.

**Fiduciary duty:** Godfrey Financial Associates has a fiduciary duty to his clients. The firm's Code of Ethics involves the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

**Records:** Godfrey Financial Associates will retain records of the trade orders and all transactions. It is Godfrey Financial Associates' policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Kathleen Godfrey and associated financial advisors will also not cross trades between client accounts.

**Item 12 – Brokerage Practices**

Trades are limited to general securities, mutual funds, exchange-traded funds, individual bond issues and government securities. No investment advisor of Godfrey Financial Associates manages any accounts on a discretionary basis and is prohibited from withdrawing funds and/or securities from any client's accounts without explicit instructions from the client. No limitations are placed on the amount of securities that can be bought or sold with any pre-agreed portfolio allocation. Godfrey Financial Associates, Inc. evaluates all costs paid to brokerage firms on their competitiveness and execution.

Clients are always free to select any broker/dealer they wish.

**Item 13 – Review of Accounts**

Clients' accounts are reviewed quarterly. Accounts are reviewed more frequently than quarterly if there is any unusual activity in the securities held by such account. Clients receive a monthly statement from the custodial firm directly. Clients can select a paper copy (via US mail) or an electronic (on-line statement). Godfrey Financial Associates, Inc. does not issue statements for client securities accounts.

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

Neither Godfrey Financial Associates nor any of its employees or Financial Advisors pays for referrals.



**Item 15 – Custody**

Clients receive monthly statements from Fidelity Investments. Fidelity is the qualified custodian who holds and maintains our client's investment assets sends statements at least monthly. Confirmations of all trades (buy or sell transactions) are sent upon completion of a trade. Godfrey Financial Associates urges clients to carefully review such statements and contact their financial advisor with any questions.

**Item 16 – Investment Discretion**

Godfrey Financial Associates maintains discretionary authority over investment accounts. Trades are selected in consultation with the client, i.e. the identity and amount of securities to be bought or sold. All trades are exercised in a manner consistent with the stated investment objectives for each client. When selecting securities and determining amounts, Kathleen Godfrey and affiliated Financial Advisors observe the investment policies, limitations and restrictions of the clients for which it advises. An individualized Investment Policy Statement, which includes guidelines and restrictions if provided to investment clients by Godfrey Financial Associates, Inc.

**Item 17 – Voting Client Securities**

As a matter of firm policy and practice, Financial Advisors affiliated with Godfrey Financial Associates do not have any authority to and do not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Godfrey Financial Associates may provide advice to clients regarding the clients' voting of proxies.

**Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the financial condition of Godfrey Financial Associates. Neither Kathleen Godfrey nor Godfrey Financial Associates has a financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

**Item 19 – Requirements for State-Registered Advisers**

Godfrey Financial Associates, Inc. is registered with the Securities and Exchange Commission and also in the state of New York. Information about Godfrey Financial Associates, Inc. and Kathleen Godfrey has been provided in this brochure.