

## Part 2A of Form ADV: Firm *Brochure*

### **Item 1 Cover Page**

March 31, 2012

This brochure provides information about the qualifications and business practices of R.J. Healy & Company. If you have any questions about the contents of this brochure, please contact us at (925) 944-5734 and/or [rob@rjhealyco.com](mailto:rob@rjhealyco.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 R.J. HEALY & COMPANY also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### Our Name and Address:

R.J. Healy & Company  
3650 Mt. Diablo Blvd., Suite 235  
Lafayette, CA 94549

#### Our Contact Information:

Robert J. Healy, President  
(925) 944-5734  
(925) 944-0533 (fax)  
[rob@rjhealyco.com](mailto:rob@rjhealyco.com)

### **Item 2 Material Changes**

**This item describes any material changes we must tell you about.**

There are material changes to Items 2, 4, 8, 10 and 19 since our last Firm Brochure, dated March 25, 2011. If you have questions about any of the information, please contact us. We are only referencing material changes here, not minor ones.

### **Item 3 Table of Contents**

**This item shows a table of contents for this brochure.**

Page Number

Item 1	Cover Page	1
Item 2	Material Changes	1
Item 3	Table of Contents	2
Item 4	Advisory Business	3
Item 5	Fees and Compensation	3
Item 6	Performance-Based Fees and Side-By-Side Management	4
Item 7	Types of Clients	4
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	4
Item 9	Disciplinary Information	7
Item 10	Other Financial Industry Activities and Affiliations	7
Item 11	Code of Ethics, Participation or Interest in <i>Client</i> Transactions and Personal Trading	7
Item 12	Brokerage Practices	8
Item 13	Review of Accounts	8
Item 14	Client Referrals and Other Compensation	9
Item 15	Custody	9
Item 16	Investment Discretion	10
Item 17	Voting <i>Client</i> Securities	10
Item 18	Financial Information	10
Item 19	Requirements for State-Registered Advisers	10

#### **Item 4 Advisory Business**

**This item gives you information about our advisory business.**

R.J. Healy & Company, Inc. was founded in 1996 by Robert J. Healy Jr. We are federally registered with the SEC (Securities and Exchange Commission) as a Registered Investment Advisor and notice filed with the California Department of Corporations.

We provide personal financial planning services by helping you identify and establish financial goals and develop strategies for reaching your goals. Some of these services include: cash flow and budgeting, investment management, risk exposure, education planning, retirement planning, income tax planning, debt elimination, special needs planning, employee fringe benefits and estate planning. Our financial planning process is dynamic and strategies change over time as your needs change.

We provide discretionary investment management services consisting of asset allocation strategies developed as part of our financial planning service. We use the worldwide markets of equity and fixed-income investments to implement our strategies. See Item 8 for information on investment strategies and methods of analysis. Clients who choose to use our investment management services must first develop a financial plan with our planning services mentioned above.

As of December 31, 2012 we were managing approximately \$ 53,642,584 of discretionary investment assets for 220 accounts.

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

**This item gives you information about the fees or other compensation we may receive from you or from others in connection with or as a result of giving you investment advice.**

Our fees for financial planning services are charged on an hourly basis, generally at the rate of \$100 to \$225 per hour. Initial fees are estimated at the outset by an engagement letter and are based on the scope and complexity of the requested services. An invoice for services is issued on completion of the written analysis. Fees are payable within 30 days of the date of the invoice.

Our current fee schedule for discretionary investment management services is listed below:

<u>Portfolio Balances</u>	<u>Rate per annum</u>
Up to \$1,000,000	0.85%
Next \$2,000,000	0.65%
Over \$3,000,000	0.55%

Fees are payable on the first day of each calendar quarter on the market value of your accounts on the last business day of the preceding quarter. Fees will be deducted from your accounts by the custodian pursuant to instruction given the custodian by our firm. You will receive a copy of the instructions and the deduction will be shown on the next monthly report sent to you by the Custodian. Fees for discretionary investment management services are negotiable with each client. We may waive fees in some circumstances.

Although we believe our fees are competitive, other firms may charge lower fees for comparable services.

We primarily implement investment recommendations with mutual funds and exchange-traded funds. Both of these fund types charge an asset management fee for their services and transaction charges for the purchase or sale of securities within the funds. Other fees may be charged as disclosed in the fund prospectus. Custodians may charge transaction fees on the purchase or sale of certain mutual funds, stocks, bonds and exchange-traded funds. Other custodial fees you may pay include, wire transfers of cash or securities, NSF charges and check reorder fees. Mutual fund and exchange-traded fund fees and custodial fees paid by you are in addition to the fees paid to R. J. Healy & Company, Inc.

(See also Item 12, Brokerage Practices.)

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

**This item discusses whether we charge any Performance-Based Fees and, if we do, the procedures we have set up to protect you.**

We do not charge Performance-Based Fees

### **Item 7 Types of Clients**

**This item tells you about the types of clients to whom we give investment advice.**

We provide financial planning and investment management services to individuals, families, trusts and estates, small business owners and corporate executives. Client relationships vary in scope and length of service. Individuals and families in periods of life transitions, such as career change, loss of a spouse, divorce, retirement or inheritance use our services.

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

**This item discusses the way we analyze securities investments, the investment strategies we use in suggesting investments for you and the risk of loss you may incur in making investments.**

We use security analysis methods including analysis of information from fund prospectuses, S&P reports, financial newspapers and magazines, Morningstar reports, research reports prepared by others, filings with the Securities and Exchange Commission, and annual reports. We also attend industry conference calls with mutual fund portfolio managers and industry conferences.

Our investment strategies focuses on: choosing the right asset mix, investing at a reasonable cost, focus on the long term, and staying with your plan. We primarily use index mutual funds and exchange-traded funds to implement our investment strategies. Index funds and exchange-traded funds, also called "passively" managed funds, don't try to beat the market. Instead, managers of index funds seek to closely track the performance of a target market index. Index funds buy and hold all, or a representative sample, of the securities in the index. Index funds typically enjoy a bit of a head start compared with actively managed funds because their operating and transaction costs are usually very low. Also, reduced trading activity tends to make index funds more tax-efficient, because index funds typically generate smaller capital gains distributions than actively managed funds. (Capital gains distributions are subject to taxes when the investment is held in a taxable account.)

We look for mutual fund companies that reflect an investment philosophy consistent with our own. Mutual fund companies must offer a wide range of fund choices, have a strong reputation for customer service, and low administrative costs charged to the investor. We examine funds for broad diversification within their sector. For example, when researching stock funds we evaluate domestic large and small companies, international companies including emerging markets. We examine stock funds for their growth and value potential, dividend paying capability and historical market volatility. For funds with fixed income securities or bonds, we examine maturity date, quality rating of the bonds and administrative cost.

We believe that goals-based financial planning is the foundation for a good investment strategy. The financial plan, which includes the timing of your goals and income requirements, drive the investment strategy. Each client portfolio is constructed solely for that client. We do not use model portfolios, and we do not utilize composites to illustrate results.

Our stock investment strategy may diversify across several stock sectors and styles, large company and small company, growth and value, domestic and international in roughly equal amounts. Our bond investment strategy may diversify across sectors including corporate, US Treasury, municipal and international bonds.

Once your investment strategy has been developed, we put it in writing in the form of an Investment Policy Statement. The Investment Policy Statement is a building block that reflects an intentional investment process. The benefits are:

1. **It sets objectives** – it establishes clear and definable expectations, risk and cash flow objectives, and guidelines for the investment of your assets.
2. **It defines the Asset Allocation Policy** – It sets forth a structure and identifies the investment asset classes used to achieve a diversified portfolio, as well as determines how those assets are to be best allocated toward the achievement of your objectives.
3. **It establishes management procedures** – It provides a guide for selecting, monitoring and evaluating the performance of those charged with managing and investing the assets, as well as making appropriate changes.
4. **It establishes communication procedures** – It provides concise methods of communicating the process and objectives among all parties involved with the investments, while assigning responsibility for implementation.

In general, as part of any investment strategy we develop, we may suggest that you make either long-term investments or short-term investments.

There is always a risk of loss connected with investing. This is true whether you are investing in securities or in other types of investments. You, as an investor, should be prepared to bear this risk. Part of our job as your investment adviser is to help you understand this risk and to suggest ways for you to minimize this risk. One way to lessen this risk is to diversify your investments so that when one investment goes down another may rise.

Every type of investment analysis has its drawbacks and risks (see discussion of risk above). So does each type of investment strategy. Many of the risk factors discussed above apply to the various types of analysis and strategy.

Our job as your investment adviser is to help you manage this risk by suggesting strategies that may reduce your exposure to loss of your investments. However, you must make the final decisions because it is your money that is involved and you best know what you want and what you can accept in the way of risk.

Below is a discussion of some types of risk that you may encounter in securities investing:

#### Credit risk

The issuer of a security in which you invest, either directly or through a mutual fund, may default (may be unable to pay the principal or to make interest payments, or otherwise fulfill its obligations to investors) or in some cases may even decide to stop or reduce dividends.

If the issuer of your security falls out of favor or has its credit rating cut, the price could fall and you could lose money if you need to sell before maturity. If the issuer goes bankrupt, you could lose it all.

#### Economic risk

The state of the nation's or the world's economy may change drastically and that may well affect your investments.

#### Foreign exchange risk

If you invest in a foreign security, it may go up in value but, when you sell it and attempt to turn it into cash from selling it you may find that a change in the rate for exchanging foreign funds into US dollars wipes out some or all of your profit.

#### Inflation Risk

Investors typically are locked into the interest rate paid on municipal bonds. If inflation should rise dramatically, the after inflation return on bonds can be negatively affected. As a result, the bond would likely lose value in the open market.

#### Interest rate risk

If you are investing to realize a certain amount of income and that income stream is dependent on the investment paying a certain interest rate, changing conditions may affect that interest rate and your income from that investment. If rates in the market rise, the underlying market value of existing bonds with a lower yield can decline. If you decide to sell a bond before maturity, this could result in a loss of principal value.

If you buy a bond or other fixed-income investment and interest rates subsequently rise, the price of your bond will probably fall. The longer the maturity of your bond, the bigger the drop. If you need to sell it before it matures, you could get back less than you paid. (The reverse is also true: if interest rates fall, the bond's price will rise.)

You can mitigate this risk by never buying a bond that matures before you need the money.

#### Liquidity risk

The ability to sell a bond in the open market requires a buyer. If an investment has gained value since you bought it but you can't find a buyer for it when you want to sell it, it is illiquid at that point and you may not be able to liquidate it for current intrinsic value. Some bonds, from smaller issuers in particular, may not have broad appeal to investors, potentially driving down the price in the open market.

Many fixed-income investments don't trade in large numbers or very often. If you need to sell in a hurry, it might be at a fire sale price.

#### Management risk

If you are investing in mutual fund shares and the particular mutual fund is an "actively managed fund" then there is no guarantee that the investment manager's decisions regarding investment techniques, risk analysis and other matters will produce the desired results that you are seeking.

#### Market risk

In making an investment you are usually betting that the market will behave in a way that will be to your advantage. That does not often hold true over a long period of time and it sometimes does not even hold true over a short period either.

#### Revenue Risk

Bonds that are dependent on revenue streams from specific projects such as toll roads and bridges may rely on the ability of the project to meet revenue projections (note that many municipal bonds are backed by the taxing authority of the issuer, rather than a revenue source as outlined here).

#### Volatility Risk

This is the measure of uncertainty in the future price of an asset. It is a measure of price fluctuations over time represented by annualized standard deviation. If an asset has rapid dramatic price swings, volatility will be high. If asset price is consistent and rarely changes, volatility will be low.

### **Item 9 Disciplinary Information**

**This item discusses any disciplinary events that have involved this firm.**

There have been no disciplinary problems involving this firm or any of our firm's personnel.

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

**This item discusses any other financial industry activities and associations of us or of persons who work for us.**

Our only business is developing personal financial plans and providing investment advice.

Robert J. Healy is the sole proprietor of Robert Joseph Healy, CPA, which provides income tax planning and preparation services to individuals and business entities. CPA firm clients often turn to Mr. Healy for assistance in financial planning. We expect that financial planning and investment advisory clients in some cases may also be clients for who tax planning and preparation services are provided.

There is no requirement for you to use our services or suggestions, those of Robert Joseph Healy, CPA. We do not favor accounting clients over other investment advisory clients in any way.

(See Form ADV, Part 2B, Brochure Supplement, for Robert J. Healy for information about the CPA designation.)

### **Item 11 Code of Ethics, Participation or Interest in *Client* Transactions and Personal Trading**

**This item tells you about our Code of Ethics and how you may obtain a copy.**

The Code of Ethics (the "Code") requirement was adopted by the Securities & Exchange Commission under Section 204 of the Investment Advisers Act of 1940 to set forth standards of conduct and

fiduciary standards expected of advisers and their personnel. Therefore, our Code of Ethics is summarized as follows:

- The Code was prepared with the general principal to always place the interests of clients first.
- In compliance with the Code, all Advisory Affiliates and employees are required to report their personal securities account held with any broker-dealer upon joining the firm and then annually thereafter. Advisory Affiliates are also required to provide duplicate confirmations and statements to us at least on a quarterly basis. Advisory Affiliates and employees are to conduct all personal securities transactions in a manner consistent with the Code and to avoid any actual or potential conflict of interest.
- We and our Advisory Affiliates must maintain confidentiality of all information concerning the identity of security holdings and financial circumstances of clients.
- In servicing clients' accounts, Advisory Affiliates must not take inappropriate advantage of their positions. For instance, in connection with the purchase or sale of a security, Advisory Affiliates may not, directly or indirectly, mislead or defraud a client regarding a security held or to be acquired by a client in any manner.
- Advisory Affiliates and our other employees are encouraged to report any violation of the Code to the Chief Compliance Officer (or his/her designee).

Clients may request a copy of our Code of Ethics at any time.

### **Item 12 Brokerage Practices**

**This item discusses how we select or recommend broker-dealers to handle your securities transactions and those of our other clients.**

We conduct annual reviews of our brokerage relationships. We review the quality of brokerage firms by examining a full range of services including: the proven integrity and financial responsibility of the firm, trade execution capability and accuracy of reports on transactions and investment balances, security of client information, customer responsiveness, competitive commission rates and other administrative costs.

In choosing a broker, an investment adviser may consider the value of various services or products, beyond transaction execution, that a broker or dealer provides to a client or to the investment adviser. Selecting a broker in recognition of services or products other than transaction execution is known as paying for those services or products with "soft dollars." See item 14 Client Referrals and Other Compensation for a discussion of services received from brokers.

### **Item 13 Review of Accounts**

**This item describes how we review your accounts and any reports you may receive.**

Your investments are reviewed at the beginning of our relationship as part of the development of your financial plan. Thereafter, if you use our investment management service, we provide quarterly investment reports. Our reports may include the current market values and historic costs of your holdings, asset allocation updates, performance reviews and cash flow monitoring. We review your financial plan with you at the beginning of our relationship, and thereafter as often as is mutually agreed to between us.



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

**This item discusses any compensation we may receive for referring you to other investment advisers or any other compensation we may receive from persons other than yourself for giving you investment advice.**

We have been fortunate to receive many client referrals over the years. The referrals have come from current clients, accountants, attorneys, employees and personal friends. We do not pay anyone for referrals of clients and we do not have any arrangement to refer you or any clients to other advisers.

We are paid for our services only by our clients. However, Charles Schwab & Company and other brokers provide or may provide us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon us committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab Institutional also makes available to us other products and services that benefit us but may not directly benefit you or our other clients' accounts. Many of these products and services may be used to service all or some substantial number of our accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that (i) provide access to your client account data (such as your trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of our fees from your and other clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

#### **Item 15 Custody**

**This item reveals any types of custody we may have.**

We do not accept custody of any client assets. All client assets are held at qualified custodians, who provide monthly account statements directly to clients at their address of record. Clients are encouraged to compare the account statements from their custodian with those account statements they receive from us.

### **Item 16 Investment Discretion**

**This item discusses any types of investment discretion we may have or may accept to make securities trades for you.**

As part of our investment management service, we accept a limited power of attorney to make discretionary trades for you, choosing the securities to buy or sell and the amount of securities to buy or sell. Discretionary trading authority facilitates placing trades in clients' accounts on their behalf so that we may promptly implement the investment policy that they have approved.

### **Item 17 Voting *Client* Securities**

**This item discusses our policy regarding voting proxies or other matters concerning your securities.**

We do not vote proxies for any client accounts; you retain this right and responsibility

Usually the transfer agent of the company issuing the security will send proxy materials or other solicitations directly to you. In some cases, they will send those materials to your custodial broker. If you do not receive these materials directly and wish to do so, you can contact the issuer's investor services department or the custodial broker to request that information. If you need help in obtaining these materials or have any questions, please contact us and we will be happy to assist you in obtaining those materials or answers to those questions.

### **Item 18 Financial Information**

**This item shows any financial information we must provide to you.**

There are no factors that require us to provide any financial information under this item.

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

**This item discusses any types of disciplinary problems that involve us or our employees and certain other information required by state securities authorities**

Robert J. Healy is our President.

We are an SEC-Registered Investment Adviser; this item does not apply to us.

There have been no disciplinary problems involving either us or Robert J. Healy.

(See also Form ADV, Part 2B, Brochure Supplement, for Robert J. Healy.)