

## **Form ADV Part 2A – Firm Brochure**

### **Item 1 – Cover Page**

Warner Financial, Inc.  
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This brochure provides information about the qualifications and business practices of Warner Financial, Inc. If you have any questions about the contents of this brochure, please contact us at 301-961-9505. 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 Warner Financial, Inc. is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view the firm's information on this website by searching for Warner Financial. You may search for information by using Warner Financial's name or by using Warner Financial's CRD number. The CRD number for Warner Financial is 135303.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since the filing of our last annual amendment in March, 2017, we have added material changes to our Firm Brochure:

Warner Financial, Inc. is no longer associated with Cambridge Investments and investment adviser representatives of the firm are no longer registered representatives of Cambridge Investments. Also, the Firm no longer conducts business on the SEI platform. To the extent that we recommend a broker/dealer custodian, we generally suggest Charles Schwab and Co., Inc. Please see important information regarding our relationship with Charles Schwab and Co., Inc.

Warner Financial, Inc. representatives no longer conduct insurance business.

We have also changed our fee schedule for managed accounts.

Item 4 has been updated with information on our retirement account fiduciary status.

Please see Items 4, 5 and 12 for more information on these changes

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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#### Item 4 – Advisory Business

A. Warner Financial, Inc. (“Warner Financial”) is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”). Our company is a corporation formed under the laws of the State of Delaware and located in Bethesda, Maryland.

- Our firm has been registered as an investment advisor since April 22, 2005. Prior to forming our investment advisory firm, the associates of Warner Financial provided fee-based, investment advisory services through Windsor Financial. Barbara Warner was an owner, officer and investment advisor representative with Windsor Financial from March 1986 until April 2005 and David Warner was a Windsor Financial owner and investment advisory representative from March 2000 until April 2005. In the spring of 2005 we formed Warner Financial.
- The firm is principally owned by Barbara Warner.
- We provide fee-based investment advisory services through Warner Financial. The nature and extent of the specific services provided to clients, including you, will always depend on each client’s financial status, objectives and needs, time horizons, concerns, expectations and risk tolerance.

#### B. General Description of Primary Advisory Services

The following are brief descriptions of Warner Financial’s primary services. A detailed description of our services is provided in Item 5 – Fees and Compensation so that clients and prospective clients can review the services and fees.

**Financial Planning:** We offer advisory services in the form of financial planning services to some clients. Financial planning services do not involve the active management of client accounts, but instead focus on a client’s overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives.

**Asset Management Services:** This is the primary service we offer and most clients receiving this Disclosure Brochure will be retaining us for Asset Management Services. The service involves providing clients with continuous and on-going supervision over investment accounts. This means that we will continuously monitor a client’s account and make trades in client accounts when necessary.

The client can determine to engage to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis. Unless the client and Warner Financial agree to a fixed-fee arrangement, Warner Financial’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Warner Financial’s management. Prior to engaging to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Warner Financial setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

Warner Financial provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Thereafter Warner Financial will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, Warner Financial provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives.

**Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If we recommend that a client roll over their retirement plan assets into an account to be managed by us, such a recommendation creates a conflict of interest if we will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over retirement plan assets to an account managed by us. Our Chief Compliance Officer, Barbara Warner, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.

**ERISA / IRC Fiduciary Acknowledgment:** If the client is: (i) a participant or beneficiary of a Plan subject to Title I of the Employee Retirement Income Security Act of 1974 ("ERISA") or described in section 4975(e)(1)(A) of the Internal Revenue Code, with authority to direct the investment of assets in his or her Plan account or to take a distribution; (ii) the beneficial owner of an Individual Retirement Account ("IRA") acting on behalf of the IRA; or (iii) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code: then Warner Financial represents that it and its representatives are fiduciaries under ERISA or the Internal Revenue Code, or both, with respect to any investment advice provided by Warner Financial or its representatives or with respect to any investment recommendations regarding an ERISA Plan or participant or beneficiary account.

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services:** As indicated above, to the extent requested by the client, we may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. We do not serve as a law firm or accounting firm, and no portion of our services should be construed as legal or accounting services. Accordingly, we do not prepare estate planning documents or tax returns. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of our recommendations. **Please Note:** If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

Prior to engaging to provide planning or consulting services, clients are generally required to enter into a *Financial Planning Agreement* with Warner Financial setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to commencing services. If requested by the client, we may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Warner Financial.

**Our Chief Compliance Officer, Barbara Warner, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Types of Investments:** We are willing to offer advice on most types of investments owned by a client and, at the specific request of a client, will explore investment options not currently owned by a client. However, we do not provide advice on commercial paper, options contracts on securities and commodities, futures, and private placements such as hedge funds.

The following are some of the general categories of securities we will advise:

- Exchange-listed securities
- Securities traded over-the-counter
- Exchange Traded Funds (ETFs)
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Interests in partnerships investing in real estate, and oil and gas interests

When providing Asset Management Services, we typically construct each client's account holdings using no-load mutual funds to build diversified portfolios. We do not typically attempt to time the market but we may increase cash holdings modestly as deemed appropriate, based on your risk tolerance and our expectations of market behavior.

**Charles Schwab & Co., Inc.:** As discussed below at Item 12, unless the client directs otherwise, Warner Financial shall generally recommend that Charles Schwab & Co., Inc. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting securities transactions. In addition to Warner Financial's investment management fee as described at Item 5 below, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Non-Discretionary Service Limitations:** Clients that determine to engage Warner Financial on a non-discretionary investment advisory basis must be willing to accept that Warner Financial cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Warner Financial would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, Warner Financial will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**Client Obligations:** In performing its services, Warner Financial shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Warner Financial if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Warner Financial's previous recommendations and/or services.

**Disclosure Statement:** A copy of Warner Financial's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the applicable form of agreement between Warner Financial and the client.

### C. Tailor Advisory Services to Individual Needs of Clients

Our services are always provided based on the individual needs of the individual client. You are able to impose restrictions on your accounts including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and meetings to determine your investment objectives and suitability information. If you transfer a portfolio to us that has existing assets and tax consequences if those are sold, we will take that into account in the construction of your portfolio.

C. Warner Financial does not participate in any wrap programs.

**D. Client Assets Managed by Warner Financial**

The amount of clients assets managed by our firm totaled \$299,070,107 as of September 24, 2017. \$270,295,766 is managed on a discretionary basis and \$28,774,341 is managed on a non-discretionary basis (please refer to Item 16 – Investment Discretion for more details regarding discretionary and non-discretionary services).

**Item 5 – Fees and Compensation**

In addition to the information provided in Item 4 – Advisory Business, this section provides details regarding our services along with descriptions of each service's fees and compensation arrangements.

**A. Description of Compensation**

**1. Financial Planning Services**

If agreed upon with a client, Warner Financial can prepare comprehensive financial plans. Topics covered in a financial plan may include: investment analysis, risk management, retirement and estate plans, and other areas of client concern or need. All recommendations will be based on factors such as a client's financial objectives, circumstances, attitudes and philosophies. Our financial plans will consider factors such as present and anticipated client assets and liabilities, savings, insurance, investments, anticipated retirement benefits and projected estate values. We will make oral and/or written presentations and explanations of our financial plans to our clients. Clients who choose not to have a comprehensive plan prepared may request an analysis of a particular issue (i.e. college or retirement planning) in lieu of more holistic services.

We do not furnish legal or tax opinions so it is important that you consult with other trusted professionals such as tax attorneys and accountants. You may also need to work with other financial advisors specializing in investment areas we do not cover. We can coordinate our advice and work with your other advisors. The material in our plans and analyses is based upon generally accepted tax principles, and on current estate tax law, all of which is subject to change.

- An engagement letter or contract will be prepared for the client to sign.
- Our fees are negotiable and determined by the extent and nature of the financial planning services to be performed. Fees are based on the estimated time required to provide the requested services and clients are quoted an estimated fee prior to commencing services.
- Financial planning consultations will be provided on an hourly basis. We do not have a minimum fee for financial planning services, but charge for hourly services at the rate of \$250 per hour, payable two weeks following the consultation.
- In the event you would like us to prepare a formal, written financial plan, we will charge a fixed fee generally ranging between \$1,000 and \$3,000. We require you to pay an initial fee of up to ½ of the total fee quoted. The initial fee will be paid at the time a Financial Planning Agreement is executed, when you will also provide us with your personal data that we need to prepare the written financial plan. In either case, the initial fee payment must be received by us before we will start work on the project. The balance of the fee is payable upon completion and presentation of the financial plan. Plans are generally completed within 60 days of receiving the signed contract and all client data.

Either party may terminate a financial planning agreement by providing written notice within five days of execution of the agreement, at which time the any planning fee paid in advance will be

refunded to the client. After the five-day window, if the client terminates the contract before the plan is complete, the client will be billed at the rate of \$250 per hour for any work performed by the planner on the client's planning.

## **2. Asset Management Services**

Whether we have prepared a full financial plan or not, clients may hire us to provide ongoing advice, management and performance reporting on a specified portfolio of assets. These services are typically provided for fees based on a percentage of assets under management. Annual fees are divided and billed quarterly. Fees are negotiable. The advice is based upon the financial objectives and risk tolerance of the client, following thorough interviews by our employees. Because we are always striving to help clients achieve their personal objectives, we will also devote attention to financial planning issues that arise over the course of our engagement at the client's request, covered by the asset management fee.

Several steps are taken for each Asset Management client. The first step is to prepare an Asset Allocation Analysis to accommodate the client's unique needs. Data is gathered during one or more meetings with the clients, so we may determine the client's current financial situation, objectives, tax situation, and tolerance for various kinds of risks associated with specific investments, time horizons, and special situations.

We usually conduct the data-gathering, portfolio construction and analysis process as part of the Asset Management fee. However, in some circumstances such as when there are multiple family members' accounts or an estate involved, or if we believe the client's circumstances will be complicated and time-consuming to evaluate, we may charge a fee for initial portfolio construction and the Asset Allocation Analysis. When fees are charged, we will negotiate a fee with the client based on the availability and organization of the client's investment assets and tax basis information. A portion of the Asset Allocation Analysis fee is paid with the client's data and the signed contract. The balance is due within two weeks after completion of the portfolio investment plan.

Either party may terminate the agreement for the Asset Allocation Analysis by written notice within five days of execution of the agreement, at which time the planning fee will be refunded to the client. After the five-day window, if the client terminates the contract before the Analysis is complete, the client will be billed at the rate of \$250 per hour for any work performed by the planner on the client's planning.

After the client has accepted the Asset Allocation Analysis and to the extent the client would like to proceed with an on-going relationship, we will discuss opening an investment management account, when a separate contract must be signed by the client.

Asset Management Services can best be described as providing continuous investment advice and making investment decisions for the client based on the specific needs of the client. Through this service, we offer a customized and individualized investment program for clients. A specific investment strategy is crafted to focus on the specific client's goals and objectives.

Warner Financial will be granted trading authorization over the client's account(s) on either a discretionary or non-discretionary basis. See Item 16 of this Brochure for more information regarding our policy related to discretion.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, Warner Financial shall generally recommend that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Warner



Financial's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Fees payable for investment management services will be a percentage of the total value of the account. The standard fee schedule is as follows:

- 1.00% of the first \$250,000
- 0.90% of the next \$750,000
- 0.80% from \$1 million to \$3 million
- 0.70% from \$3-million to \$5 million
- 0.60% above \$5 million

## **B. Other Fees and Expenses**

Ongoing quarterly fees are payable in advance. The fee for the first quarter shall be based on the market value on the date the asset management agreement is signed. Fees will be calculated quarterly based on the market value of the assets under management at the end of the preceding quarter. No pro-rata adjustments are made for assets added to or withdrawn from the account during a quarter, unless the client consents. Upon termination of the account a refund of fees will be pro-rated based on the number of days remaining during the quarter after the date of effective termination.

Fees are deducted directly from the client's account. Clients must provide the custodian with written authorization to have fees deducted from the account and paid to Warner Financial. The custodian will send client statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fee, if deducted directly from the account. Schwab will assist Warner Financial with the automatic deduction of the quarterly fee. It is Warner Financial and client's responsibility to verify the accuracy of Warner Financial's fee and the qualified custodian will not determine whether the fee has been properly calculated. Upon approval from Warner Financial, clients may pay fees via direct invoice. For clients paying via invoice, fees shall be due upon client's receipt of the invoice.

- C.** Client accounts will also be charged all applicable transaction costs charged by Schwab. Management fees charged by Warner Financial are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.
- D.** Any investment management agreement may be terminated by the client without penalty upon delivery of written notification to the Warner Financial within five business days after the date of the client's execution of the agreement. After this initial five-day period has elapsed, either party may terminate the contract upon 30 days written notice. All fees paid by the client will be promptly refunded if the investment management agreement is terminated during the initial five-day period. After the initial five-day period, any unearned portion of pre-paid advisory fees will be refunded to the client within 60 days of the receipt of that notice.
- E.** Neither Warner Financial, nor its representatives accept compensation from the sale of securities or other investment products.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to Warner Financial's brochure because we never charge or accept performance-based fees. Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

## Item 7 – Types of Clients

Warner Financial generally provides investment advice to the following types of clients.

- Individuals (including Trusts and Estates)
- High-Net Worth Individuals
- Pension and profit sharing plans
- Charitable Organizations

All clients are required to execute an agreement for services in order to establish a client arrangement with Warner Financial.

***Minimum Investment Amounts Required:*** Warner Financial typically requires an initial minimum investment amount of \$500,000 for its Asset Management Services. Active accounts that fall below this minimum remain eligible for Asset Management Services at our discretion. In some circumstances, we may grant exceptions to the initial minimum investment amount.

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

- A. As investment advisors with a fiduciary responsibility to put clients' interests above our own, our approach is to provide investment advice that is independent, objective, skillful and customized. Using a top-down approach and our understanding of the relationship between asset classes, the economic environment and market cycles, we develop portfolios that are (1) intended to achieve a client's objectives, and (2) diversified to accommodate our perception of the client's tolerance for risk. Using research supplied by institutional managers and economists, academic and professional journals, software programs that statistically model future returns, and rating services such as Morningstar, we recommend an appropriate allocation of assets for a client, and then select particular securities to satisfy the allocation.

We incorporate variables into the analysis such as clients' ages, capacity to accumulate assets, proximity to retirement (or to other goals such as college education), spending patterns, liquidity or illiquidity of assets, likelihood of inheritance or, conversely, chance that assets will need to be devoted to care of other family members. When possible, we try to assess how clients behaved in prior market downturns, and discern whether they are knowledgeable about asset classes, expected returns and market cycles.

We construct portfolios that are diversified as to the types, maturity and quality of fixed income funds, and we choose equities of varying market capitalizations, valuations styles (value and growth), developed and emerging global locations, and management style (passive funds and actively managed funds.) We are highly attentive to the cost of our portfolios and the tax consequences of the activity in our accounts, and attempt to produce the highest quality portfolios at reasonable cost.

We measure the success of our portfolios according to whether they allow clients to achieve particular objectives. We do not claim to be able to "beat the market," but rather to develop and monitor portfolios that allow clients to be successful without taking unnecessary risks. A properly diversified portfolio is often unlikely to beat a single benchmark, such as the commonly used S&P 500 Index. Some assets in a portfolio, whose characteristics are unlike the large cap S&P stocks, will produce returns that are better or worse than the S&P, so clients have the risk that the average annual return of a complex portfolio will be very different from a single benchmark.

We also do not "time" the market, nor make predictions about the directions of stock and bond markets, so a client runs the risk that the portfolio may be invested during a downturn in the markets. Depending on economic changes or periods of unusual volatility, we may adjust and rebalance a

client's portfolio to attempt to protect the account from losses, but those results cannot be assured. We avoid short-term trading in the accounts, and construct the portfolios with the client's own time horizon in mind, which is generally for long periods of time.

In some cases, clients ask us to develop a portfolio with a specific objective (i.e., a growth portfolio that is fully invested in equities.) Concentrated portfolios are generally subject to more volatility than fully diversified portfolios, and these investors must accept the risk that these accounts may not achieve their high-growth objective, and may lose value.

## **B. Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Mutual Fund and ETF Risk – We primarily select mutual funds when managing client accounts. When investing in a mutual fund or ETF, the investor will bear additional expenses based on its pro rata share of the mutual fund or ETF's operating expenses, including the potential duplication of management fees. The risk of owning a mutual fund or ETF generally reflects the risks of owning the underlying securities the mutual fund or ETF. Clients may also incur brokerage costs when purchasing ETFs and mutual funds.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk. Furthermore, bonds are subject to risk when interest rates rise because the market values of bonds will fall as rates rise.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produced the expected returns, the value of the investment will decrease.

## Item 9 – Disciplinary Information

This item is not applicable to our brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2 instructions that are material to a client's or prospective client's evaluation of our business or the integrity of the firm's management (i.e. Barbara and Christopher Warner).

## Item 10 – Other Financial Industry Activities and Affiliations

Warner Financial is an independent investment advisory firm and only provides investment advisory services. The firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure. Warner Financial is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution, (6) accountant or accounting firm, (7) lawyer or law firm, (8) pension consultant, (9) real estate broker or dealer, (10) sponsor or syndicator of limited partnerships or (11) insurance company. Neither Warner Financial, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

## Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

**Code of Ethics Summary:** Warner Financial has established a Code of Ethics that will apply to all of its employees. An investment advisor is considered a fiduciary according to the Investment Advisers Act of 1940. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Warner Financial has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for the advisor's Code of Ethics which also covers its Insider Trading and Personal Securities Transactions Policies and Procedures. Warner Financial requires all of its employees to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and when changes occur, all employees will sign an acknowledgement that they have read, understand and agree to comply with the advisor's Code of Ethics. Warner Financial has the responsibility to make sure that the interests of all clients are placed ahead of Warner Financial's or its supervised persons' own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. Warner Financial and its employees must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients.

The preceding is intended to be a summary of our Code of Ethics. You can contact our office to request a complete copy of our Code of Ethics. Please refer to the Cover Page of this brochure for our contact information.

**Affiliate and Employee Personal Securities Transactions Disclosure:** Our employees may buy and sell for themselves the same types of securities we recommended to clients. Although this could potentially create a conflict of interest, securities that our employees may personally own that are also recommended to clients will be widely held stock, bonds or mutual funds. The total market value of these holdings by our staff is relatively small and we do not have any expectation that actions taken by our personnel will have an impact upon the market value of the particular securities. We have established procedures under our Code of Ethics requiring all employees to report their personal securities holdings and transactions to the Firm.

## Item 12 – Brokerage Practices

This section provides information about our brokerage practices in addition to the information detailed in Item 5 – Fees and Compensation.

- A. In the event that the client requests that Warner Financial recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Warner Financial to use a specific broker-dealer/custodian), Warner Financial generally recommends that investment management accounts be maintained at *Schwab* which is FINRA-registered broker-dealer, member SIPC, as the qualified custodian. Prior to engaging Warner Financial to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Warner Financial setting forth the terms and conditions under which Warner Financial will provide investment advisory services, and a separate custodial/clearing agreement with each designated broker-dealer/custodian. Warner Financial does not maintain custody of your assets (although we may be deemed to have custody of your accounts if you give us authority to withdraw assets from your account (see Item 15-Custody, below). We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to.

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared with other available providers and their services. Factors that Warner Financial may consider in recommending *Schwab* (or any other broker-dealer/custodian to clients) include, among others:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for clients' accounts);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds, etc.);
- availability of investment research and tools that assist Warner Financial in making investment decisions;
- quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- their prior service to Warner Financial and Warner Financial's other clients; and availability of other products and services that benefit Warner Financial, as discussed below.

For our clients' accounts that it maintains, Schwab generally does not charge you separately for custody services, but is compensated by charging you commissions or other fees on trades that it executes or that settle in your Schwab account.

Although the commissions and/or transaction fees paid by Warner Financial's clients shall comply with Warner Financial's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Warner Financial determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into

consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Warner Financial will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Warner Financial's investment management fee. Warner Financial's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

## **1. Non-Soft Dollar Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Warner Financial may receive from *Schwab* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, and/or product/fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Warner Financial to better monitor and service client accounts maintained at such institutions. The support services that Warner Financial may obtain could include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis travel and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Warner Financial in furtherance of its investment advisory business operations.

Certain of the support services and/or products that *may* be received may assist Warner Financial in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Warner Financial to manage and further develop its business enterprise.

Warner Financial's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Warner Financial to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

***Schwab Advisor Services:*** *Schwab* Advisor Services is *Schwab's* business serving independent investment advisory firms like us. They provide Warner Financial and its clients with access to its institutional brokerage –trading, custody, reporting and related services – many of which are not typically available to *Schwab* retail customers. *Schwab* also makes available various support services. Some of those services help us manage or administer Warner Financial's clients' accounts while others help Warner Financial to manage and grow its business. *Schwab* also provides monetary assistance to Warner Financial to defray certain costs in relation to payment for eligible third party vendor services in an amount not to exceed \$120,000 for Technology, Marketing, Business Consulting, Research and other related expenses. *Schwab's* support services are generally available on an unsolicited basis (Warner Financial doesn't have to request them) and at no charge to Warner Financial as long as it maintains a total of at least \$100 million ( increasing to \$300 million) of its clients' assets in accounts at *Schwab*. Support services are offered on a tiered schedule based on the amount of client assets transferred to and maintained at *Schwab* over a period of 24 months.

Here is a more detailed description of *Schwab's* support services:

***Services that Benefit the Client:*** *Schwab's* institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through *Schwab* include

some to which Warner Financial might not otherwise have access or that would require a significantly higher minimum initial investment by Warner Financial's clients. Schwab's services described in this paragraph generally benefit the clients and the clients' accounts.

**Services that May Not Directly Benefit the Client:** *Schwab* also makes available to Warner Financial other products and services that benefit Warner Financial but may not directly benefit clients or their accounts. These products and services assist Warner Financial in managing and administering its clients' accounts. They include investment research (both *Schwab's* own and that of third parties). Warner Financial may use this research to service all or some substantial number of Warner Financial's clients' accounts, including accounts not maintained at *Schwab*. In addition to investment research, *Schwab* also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- provides pricing and other market data;
- facilitates payment of Warner Financial's fees from its clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

**Services that Generally Benefit Only Warner Financial:** *Schwab* also offers other services intended to help Warner Financial manage and further develop its business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

*Schwab* may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Warner Financial. *Schwab* may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. *Schwab* may also provide Warner Financial with other benefits such as occasional business entertainment of its personnel.

The availability of these services from *Schwab* benefits Warner Financial because it does not have to produce or purchase them. Warner Financial does not have to pay for *Schwab's* services so long as it maintains a specific amount of client assets in accounts at *Schwab*. (Beyond that, these services are not contingent upon Warner Financial committing any specific amount of business to *Schwab* in trading commissions or assets in custody.) The specific client asset minimum may give Warner Financial an incentive to request that clients maintain their account with *Schwab* based on Warner Financial's interest in receiving *Schwab's* services that benefits Warner Financial's business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential **conflict of interest**. Warner Financial may believe, however, that its selection of *Schwab* as custodian and broker is in the best interests of its clients based upon the factors discussed above.

**Warner Financial's Chief Compliance Officer, Barbara Warner, is available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. Warner Financial does not receive referrals from broker-dealers.
3. **Directed Brokerage:** Warner Financial does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Warner Financial will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by Warner Financial. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event that the client directs Warner Financial to effect securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through us. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**Trading Policy:** Our trading policy is to implement all client orders on an individual basis. Therefore, we do not aggregate or “block” client transactions. Considering the types of investments we hold in advisory client accounts, we do not believe clients are hindered in any way because we trade accounts individually. The investments we are responsible for trading in client accounts are typically limited to mutual funds, and other broadly traded positions. Our strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy.

**Trade Error Policy:** Warner Financial has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Warner Financial to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by Warner Financial if the error was caused by Warner Financial. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will remain in the client’s account unless it is not permissible for clients to retain the gain. Warner Financial may also confer with clients to determine if the client should forego the gain (e.g., due to tax reasons).

Warner Financial will never retain any portion of any gains made as a result of trade error corrections or profit in any way from trade errors. Further, our personnel are not permitted to make payments to clients or to client accounts.

### Item 13 – Review of Accounts

**Account Reviews and Reviewers:** The principal planners and investment advisor representatives of the firm, Barbara Warner CFP®, David Warner CFA, Noelle Belt and Christopher Warner CFA, CFP® review all accounts. They have experience in security analysis, financial planning, and offer advice on financial issues and investment planning that is unique to each client’s situation.

For Financial Planning clients, reviews are performed on an intermittent basis as requested by the client or as recommended (usually annually) by the planner. Reviews are intended to examine a client’s



progress toward goals and to update plan recommendations, if warranted by changes in client's circumstances. For Asset Management clients, portfolios are generally reviewed annually for rebalancing purposes, and performance reports are monitored on a quarterly basis. More frequent reviews may be performed if warranted by the client's situation.

**Statements and Reports:** Warner Financial provides written performance reports and/or position reports to the clients that have contracted with Warner Financial for Asset Management Services. Performance reports detail the client's portfolio performance over relevant time periods. They also provide a summary of the total additions, withdrawals, capital gains, income, management and other fees during each respective period. In addition, it lists all securities currently held, their current value and cost basis, along with year-to-date capital gains, dividends, interest and management fee summaries. **You are urged to compare the reports provided by Warner Financial against the account statements you receive directly from your account custodian.**

The custodian for the individual client's account also provides the client with an account statement at least quarterly, and depending on the account custodian, the client may be able to view the account online via the Internet. For clients whose funds are held directly with mutual fund companies, separate from Schwab, the periodic account statements will be sent directly from the fund companies.

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

- A. In addition to the description of Other Compensation already described in *Item 5 – Fees and Compensation*, *Item 10 – Other Financial Industry Activities and Affiliations*, and *Item 12 – Brokerage Practices*, please review the following:

Certain product sponsors may provide Warner Financial with other economic benefits as a result of sales activities directed to them. These benefits include financial assistance or the sponsorship of conferences and educational sessions and the payment of travel expenses. It is our firm's policy for employees not to accept awards, tips or gifts from any investment sponsor as an inducement to recommend that sponsor's products. We recommend investments that are in the best interest of the client, without regard to additional incentives. In the normal course of business, the Warner Financial representatives may receive from product sponsors some incidental economic benefit (a pad of paper or coffee mug has been sent to principals in the past).

As disclosed in Item 12 – Brokerage Practices, we receive additional compensation, support services and/or products without cost (and/or at a discount) and economic benefits from Schwab for directing clients to Schwab. The receipt of additional compensation, services and benefits presents a conflict of interest in that our recommendation to use Schwab is not based solely on the client's best interest, but is partially based on our receipt of such compensation, services and benefits.

**Participation in Institutional Advisor Platform:** Warner Financial has established an institutional relationship with Schwab to assist the firm in managing Client account[s]. Access to the Schwab platform is provided at no charge to the Advisor. The Advisor receives access to software and related support without cost because the Advisor renders investment management services to Clients that maintain assets at Schwab. The software and related systems support may benefit the Advisor, but not its Clients directly. In fulfilling its duties to its Clients, the Advisor endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits from a custodian creates a potential conflict of interest since these benefits may influence the Advisor's recommendation of this Custodian over one that does not furnish similar software, systems support, or services.

Additionally, the Advisor may receive the following benefits from Schwab: receipt of duplicate Client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its

institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to Client accounts; and access to an electronic communication network for Client order entry and account information.

**B.** We do not currently compensate outside parties for client referrals.

## **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

Warner Financial has implemented policies and procedures designed to avoid being deemed to have custody. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody

Although Warner Financial does not have custody of its client accounts, we have established procedures to ensure all client funds and securities are held at a qualified custodian (for example Schwab) in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Warner Financial. When clients have questions about their account statements, they should contact Warner Financial or the qualified custodian preparing the statement.

## **Item 16 – Investment Discretion**

**Asset Management Services:** Through our asset management program we will maintain trading authorization over client accounts. Upon receiving written authorization from the client, we may implement trades on a **discretionary** basis (as detailed in our agreement for services). When discretionary authority is granted by a client, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client's portfolio without obtaining the client's consent for each transaction. However, it is our policy to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

If trading authorization is provided on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

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

Warner Financial does not vote proxies on behalf of its clients. Therefore, it is the responsibility of Warner Financial clients to vote all proxies for securities held in their accounts.

You will receive proxies directly from your custodian or transfer agent and such documents will not be delivered by or from Warner Financial. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us.

## **Item 18 – Financial Information**

This item is not applicable to Warner Financial's brochure. We never require clients to prepay more than \$1,200 in fees, six months or more in advance. Therefore, Warner Financial is not required to include a balance sheet for its most recent fiscal year. Warner Financial is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

## **WARNER FINANCIAL PRIVACY POLICY**

As our client, you have trusted Warner Financial to help you achieve financial success and security. To maintain that trust, we are committed to protect the privacy and security of the personal information that we collect about our clients. This notice is intended to help you understand how we collect, handle, and safeguard that information.

We treat the personal information of our clients in a confidential manner. We do not ever provide any information to unrelated companies for the purpose of marketing their products or services to our customers.

When you establish a relationship with us, you are requested to furnish personal and financial information to assist in assessing your financial objectives and goals. The information you share with us is private and confidential, and we are committed to protecting your privacy. In addition to the information collected, during the course of our relationship we may also collect a variety of nonpublic personal information from other sources. The confidential information we collect may include the following:

1. Information we receive from you, such as your name, address, social security number, assets, income, investment objectives and other information as required by industry regulators.
2. Information about your transactions, including balances, portfolio holdings, cash balances, margin balances, and customer statements. Also included may be portfolio evaluations.
3. Information we receive from our broker/dealer/custodian Schwab and various fund sponsors, unaffiliated custodians and money managers, your accountant, attorney or other professionals retained by you.
4. Medical or health information that you authorize us to receive from doctors or other health care providers and medical vendors in relation to the advice provided on a health, disability or life insurance policy.

Warner Financial does not share client information with any third party other than those that are authorized by you, or that are required in order for us to provide services agreed upon by the client, service an account, execute a transaction, or (if required to do so) by regulation or law. We may share information with Schwab, or other unaffiliated custodian as necessary to provide advisory services.

Warner Financial has established policies to maintain physical, electronic, and procedural safeguards to maintain the confidentiality of the personal information of our clients. Appropriate measures are taken to ensure that access is available only to those individuals who need to know this information in order to provide proper services to our clients.