

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

### **Item 1 – Cover Page**

Warner Financial, Inc.  
4550 Montgomery Avenue, Suite 352N  
Bethesda, MD 20814  
301-961-9505  
[www.warner-financial.com](http://www.warner-financial.com)

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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 our last annual amendment was filed in March 2013, the only material change made to our brochure is removing Melissa Sotudeh from Item 13 – Review of Accounts. Ms. Sotudeh left our firm on October 31, 2013.

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**

Warner Financial, Inc. 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 equally owned by Barbara and David 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.
- The employees of Warner Financial are also registered representatives of Cambridge Investment Research, Inc. (referred to simply as “Cambridge”), a registered broker/dealer, member SIPC/FINRA, and our office is also a Cambridge branch office location. More details regarding our affiliation with Cambridge are provided at Item 5, Item 10 and Item 12 of this Disclosure Brochure.
- We also provide securities advice on a commission basis. Services offered on a commission basis are provided through Cambridge.

#### **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.

***Use of Third Party Investment Advisors.*** We may provide advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades client accounts when necessary.

### ***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.

### ***Tailor Advisory Services to Individual Needs of Clients***

Our services are always provided based on the individual needs of the individual client. You are given the ability 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.

When working with clients through our Third-Party Investment Advisor Program, we rely on model portfolios created by the third-party investment advisors. There are different models designed to satisfy a range of risk/return assumptions. It is our responsibility to assist clients in selecting the model portfolio(s) that best suit the client's individual objectives and financial circumstance. The client will then specifically direct the account to be invested in accordance with the chosen model portfolio. When the client selects the model portfolio, the client further directs that the account be automatically adjusted to reflect any adjustment in the model portfolio by the investment strategist. However, we have no authority to implement the purchase or sale of securities in any client account managed by a third-party investment advisor, change the model portfolio or direct an account to be invested in a manner other than as previously authorized by the client.

### ***Client Assets Managed by Warner Financial***

The amount of clients assets managed by our firm totaled \$200,023,077.00 as of February 28, 2014. \$168,136,605.00 is managed on a discretionary basis and \$31,886,472.00 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.

### **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 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 through our Warner Financial Managed Accounts program or through our Third-Party Investment Advisors Program. In either case, a separate contract must be signed by the client.

#### ***(I.) Warner Financial Managed Accounts***

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.

Clients contracting for this service are required to establish a brokerage account at Cambridge. Cambridge accounts are custodied at Pershing, LLC. Cambridge serves as the introducing broker-dealer for these accounts and clears securities transactions on a fully disclosed basis through Pershing. For accounts established through Cambridge, an employee of Warner Financial will have trading authorization over the account in the employee's separate capacity as a registered representative of Cambridge. See Item 12 – Brokerage Practices for additional information regarding our brokerage arrangements.

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

- 1.05% of the first \$250,000
- 0.90% of the next \$750,000
- 0.80% from \$1 million to \$5 million
- 0.60% above \$5 million

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 either be calculated quarterly (based on the market value of the assets under management at the end of the preceding quarter) or may be billed as an annual fixed retainer fee (adjusted in January, based on the market value of the assets under management on December 31). 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 typically 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. Cambridge will assist Warner Financial with the automatic deduction of the quarterly fee. Cambridge will be responsible for fee calculations and have the authority to deduct advisory fees directly from client accounts to be paid to Warner Financial. Cambridge shall submit instructions to the qualified custodian to deduct the calculated 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.

Clients will incur certain charges imposed by third parties other than Warner Financial in connection with investments made through the account, including but not limited to, 12b-1 fees, variable annuity/insurance fees and surrender charges, and IRA and qualified retirement plan fees. Client accounts will also be charged all applicable transaction costs charged by Cambridge and Pershing. 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.

**Warner Financial's employees, in their separate capacity as registered representatives of Cambridge may retain a portion of the 12b-1 trail fees charged to the client.** If the client owns any mutual funds in qualified accounts and ERISA plans that pay 12b-1 trail fees to the broker/dealer, those fees are credited to the client and are used to reduce our Firm's management fee. In some non-qualified accounts, Warner Financial may credit those 12b-1 fees to reduce the client's management fee. In other cases, Warner Financial may accept the trail fees and charge the client a reduced management fee.

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. Commissions, administrative and transaction fees are deemed earned when paid, and are not refundable after the initial five-day period.

## ***(II.) Third-Party Investment Advisor Programs***

### **A. SEI Investment Management Platform**

For clients selecting this service, we will help to establish an SEI program account at SEI Trust Company (SEI). All account transactions will be processed and cleared through SEI. The SEI Program uses asset allocation portfolios developed by SEI Investments. The portfolios consist of SEI Family of Institutional Mutual Funds (Mutual Funds) and other securities approved by SEI that can be held in accounts.

It is our responsibility to provide SEI with the asset allocation policy (Asset Allocation Policy) the client selects for their account. Warner Financial directs SEI to reallocate investments in accordance with the Asset Allocation Policy. In addition, Warner Financial directs SEI to rebalance the investments at least quarterly so that the market value of the shares of each mutual fund held in the account is the same percentage of the total market value of the account as required by the client's Asset Allocation Policy.

The maximum total advisory fees charged for this service do not exceed 1.50% annually. Fees are payable quarterly, in arrears, based on assets under management at the end of the quarter. Fees are automatically deducted from the client's account. Each quarter, SEI will send the client an account statement that will include a management fee notification which will show the computed fee, any adjustments to fee, an explanation of any adjustment, and the net management fee to be deducted by SEI later in the period from the client's account. Management fees are paid to Warner Financial.

Clients can terminate the SEI Program Account at any time by notifying Warner Financial. Termination will be effective upon receipt of such notice. If services are terminated within five business days of executing the client agreement, services will be terminated without penalty. After the initial five business days, the client may be responsible for payment of fees for the number of days of services were provided by Warner Financial prior to receipt of the notice of termination.

SEI may charge a separate custodial fee for the custody services it provides. Mutual Funds held in the Account charge their own advisory fees and other expenses, which are explained in each Mutual Fund's prospectus. These fees and expenses are separate charges from the account management fees.

### **B. Genworth Financial Wealth Management Platform**

The Genworth Platform is sponsored by Genworth Financial Wealth Management, Inc., a registered investment adviser. The Genworth Platform is an asset management strategy that Warner Financial may recommend to clients. It is made up of model portfolios provided by a number of institutional investment strategists. The portfolio designs are based on the information, research, and asset allocation methodology of the institutional strategists.

Genworth Platform client fees are payable quarterly, in advance, based on the average market value of assets under management during the previous quarter.

The maximum advisory fee charged to clients will not exceed 1.50% per year. Custodian fees may be charged separately from the Genworth Platform client fees. The amount of the advisory

fee charged by Warner Financial and paid by the client depends on the size of the client's portfolio.

A condition of participation in the Genworth Platform is that all accounts are held at Pershing, LLC. Pershing, LLC serves as Custodian for Retirement Accounts. Execution and clearance of transactions is provided by Pershing. As a result, best execution may not be achieved.

A complete description of the Genworth Platform and related fees and charges can be found in the Genworth Form ADV Disclosure Brochure, which will be provided to all clients prior to or at the time an account is established. Clients should carefully review the Genworth Disclosure Brochure prior to establishing an account.

### **C. Cambridge Asset Allocation Platform**

Cambridge Asset Allocation Platform ("CAAP") is a wrap fee platform sponsored by Cambridge Investment Research Advisors, Inc. ("CIRA"), an investment advisor registered with the SEC and affiliated with Cambridge. CAAP offers a variety of investment strategies (described in the CAAP wrap fee brochure to be given to participating clients) using risk tolerance information provided by the client. Warner Financial will recommend a portfolio based on one of several asset allocation models designed to meet the individual financial needs, investment objectives and risk tolerance of the client. Portfolios are comprised of load-waived mutual funds, no-load mutual funds or exchange-traded mutual funds (ETFs), and accounts are discretionary.

A trading and processing fee or annual maintenance fee will be assessed to CAAP accounts, which are detailed in the CAAP Wrap Fee Program Brochure. Depending upon the CAAP platform utilized, the client will be charged a tiered fee not to exceed 1.50%.

### **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 requires an initial minimum investment amount of \$250,000 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.

When we recommend third party investment advisors, they may impose minimum investment levels that vary from advisor to advisor and even program to program. You will need to refer to the third party investment advisor firm's Disclosure Brochure for information regarding their account minimums.

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

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.

### **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 David 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.

### **Relationship with Cambridge Investment Research, Inc.**

As explained in Item 4, Warner Financial employees are registered representatives of Cambridge and may work with clients on a strictly commission basis. Clients are not obligated to purchase or sell securities through Cambridge. However, if clients choose to implement the advice provided by Warner Financial employees in their separate capacities as registered representatives, Cambridge will be used and commissions may be earned in addition to any fees paid for advisory services. Commissions may be higher or lower at Cambridge than at other broker/dealers. Registered representatives are restricted to only offering those products and services that have been reviewed and approved for offering to the public by Cambridge and for which Cambridge and its clearing firm, Pershing, have obtained a selling agreement.

### **Arrangement with Unaffiliated Investment Advisors**

As detailed in Item 4 and Item 5 of this brochure, we may refer clients to unaffiliated investment advisors. When Warner Financial refers clients to other investment advisors, Warner Financial will receive a portion of the fee the client pays to the other advisor. This situation creates a conflict of interest. However, when referring clients to a third-party advisor the client's best interest will be the main determining factor of Warner Financial's employees. Warner Financial shall not recommend the use of an outside investment advisor unless the investment advisor is registered/notice-filed or exempt from registration/notification in the client's home state.

### **Insurance Activities**

Barbara Warner, in her individual capacity, is a licensed insurance agent with various insurance companies, and in such capacity, may recommend, on a fully disclosed commission basis, the purchase of certain insurance products. The receipt of this compensation may affect Ms. Warner's decisions when recommending insurance products to clients. While Ms. Warner endeavors at all times to put the interest of the clients first as a part of Warner Financial's fiduciary duty, clients should be aware that the receipt of commission and additional compensation itself creates a conflict of interest, and may affect the evaluation process of Ms. Warner when making recommendations.

## **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.

### **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.

### **Cambridge Investment Research, Inc.**

Clients wishing to implement Warner Financial's financial planning advice are free to select any broker they wish and are so informed. If clients wish to have Warner Financial employees implement the advice in their capacity as registered representative or through an asset management account, then Cambridge will be used. Employees are required to use the services of Cambridge and Cambridge's approved clearing broker-dealers when acting in their capacity as registered representatives. Cambridge serves as the introducing broker-dealer. All accounts established through Cambridge will be cleared and held at Pershing, LLC. Cambridge has a wide range of approved securities products for which Cambridge performs due diligence prior to selection. Our employees are required to adhere to these products when implementing securities transactions through Cambridge. Transaction fees charged for these products may be higher or lower than transaction fees clients may be able to obtain if transactions were implemented through another broker/dealer. Cambridge provides us with compliance support, back-office operational, technology, and other administrative support.

Not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow their clients to pick which broker/dealer the client uses. However, in order to provide efficient services

and based on the arrangement with Cambridge, we require the use of Cambridge when opening an account through our firm's programs.

Warner Financial is independently owned and operated and not affiliated, i.e. owned by or under common ownership, with Cambridge or Pershing. Pershing provides Warner Financial with access to its institutional trading and custody services, which are typically not available to retail investors.

Cambridge and Pershing also make available other products and services that benefit Warner Financial but may not benefit its clients' accounts. Some of these other products and services assist Warner Financial in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); facilitate trade execution (and allocation of aggregated trade orders from multiple client accounts); provide research, pricing information and other market data; Cambridge's ability to facilitate payment of Warner Financial's fees directly from client accounts; and assist with back-office functions, recordkeeping and client reporting. Cambridge also makes available other services intended to help Warner Financial manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Cambridge may make available, arrange and/or pay for these types of services rendered to Warner Financial by independent third party providing these services to Warner Financial. As a fiduciary, Warner Financial endeavors to act in its clients' best interests, and Warner Financial's recommendation that clients maintain their assets in accounts at Pershing (through Cambridge) may be based in part on the benefit to Warner Financial of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Pershing (through Cambridge), which may create a potential conflict of interest.

#### **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.

If the gain does not remain in the client's account and Cambridge is the broker/dealer, Cambridge will maintain gains that may result from correcting a trade error and in some instances may use such gains to offset overall losses Cambridge incurs from trading errors.

### **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 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. None has more than 150 active clients.

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 Pershing, the periodic account statements will be sent directly from the fund companies.

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

- ✓ We do not currently compensate outside parties for client referrals.
- ✓ 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 some incidental economic benefit from non-clients (a pad of paper or coffee mug has been sent to principals in the past).

### **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 Pershing, LLC) 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 Cambridge Investment Research, our correspondent clearing broker Pershing LLC 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 our broker/dealer Cambridge, our clearing correspondent Pershing, a third party money manager, or 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.

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