

# **Independent Family Office, LLC**

## **Form ADV Part 2A**

### **Investment Adviser Brochure**

**July 2013**

This brochure provides information about the qualifications and business practices of Independent Family Office, LLC. If you have any questions about the contents of this brochure, please contact Joyce A. Gilbert, Office Manager, at the number listed below. 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 Independent Family Office, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search this site using a unique identifying number, known as a CRD number, Independent Family Office, LLC's CRD Number is 144811.

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## Item 2: Summary of Material Changes

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### **Annual Update**

This Item of the brochure is updated if material changes have occurred during the course of Independent Family Office, LLC's (IFO) fiscal year; or with IFO's Annual Updating Amendment (ADV).

### **Material Changes since the Last Update**

Since the last ADV filing, no material changes have occurred.

In the future, we will ensure that you receive a summary of any material changes to our brochure within 120 days of our fiscal year end. We may also provide updated disclosure information about material changes on a more frequent basis. Any summaries of changes will include the date of our last annual update of our brochure.

### **Full Brochure Available**

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

Currently, IFO's Brochure may be requested by contacting Joyce A. Gilbert, Office Manager at 518-301-1679 or [dr@ifollc.com](mailto:dr@ifollc.com).

Additional information about IFO is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with IFO who are registered, or are required to be registered, as investment adviser representatives of IFO.

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## **Item 4: Advisory Business**

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### **Firm Description and Types of Advisory Services**

IFO provides various financial services to a small group of High Net Worth individuals, their families, their affiliated entities and certain charitable entities. These services include advice and implementation support for issues associated with investments, bill paying, reporting, estate planning, income tax planning, preparation and compliance, cash management and personal risk management, as well as the selection of other advisers. In limited instances, IFO will manage client investment accounts.

IFO was founded in 2005.

### **Principal Owners**

IFO is owned solely by W. Michael Reickert, Managing Member.

### **Types of Advisory Services**

#### **Investment Supervisory Services**

In the context of its investment supervisory services, IFO works with its clients to (1) identify their investible assets, expected cash flows, and projected tax liabilities, (2) assess their risk tolerances, (3) assess possible and probable investing outcomes based on historical statistics for various asset allocations, (4) determine an appropriate allocation of assets based on the foregoing factors, (5) identify suitable investment vehicles on a best practices basis, (6) monitor the performance of the chosen vehicles to determine adherence to plan and expectations, and (7) report performance information to its clients

Individual determinations of investment allocation and investment vehicle selection are made by the client. IFO may accept limited trading authority from clients to simplify the implementation of an investment program.

### **Financial Planning**

IFO offers financial planning services, which include, but are not limited to: cash management, risk management, bill paying, reporting, insurance, education funding, retirement planning, estate and charitable giving planning, tax planning, contract negotiation and capital needs planning. Investment supervisory services may be offered as a component of the overall financial planning services.

### **Tailored Relationships**

IFO tailors investment advisory services to the individual needs of the client. The goals and objectives for each client are documented in our client relationship management system.

### **Other Business Services**

IFO provides diverse services to High Net Worth individuals, their families, their affiliated entities and certain charitable entities. These services include advice and

implementation assistance with issues associated with investments, estate planning, income tax planning, cash management and personal risk management. These services are intended to be similar to those that might be provided by a dedicated family office.

IFO estimates that about 75% of its activities on behalf of clients represent services other than providing investment advice.

### **Wrap Fee Programs**

IFO does not participate in a Wrap Fee Program.

### **Client Assets**

As of December 31, 2012, IFO provided supervisory or management services for approximately \$144,066,320 in assets, of which approximately \$73,197,882 is supervised/managed on a non-discretionary basis and approximately \$70,868,438 is supervised/managed on a discretionary basis.

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

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### **Compensation**

#### **Financial Planning and Other Services**

IFO provides advice to its clients in numerous areas regarding their financial planning. In addition, IFO provides income tax preparation and bill paying services to its clients. Periodic reports are issued, including, but not limited to, Statements of Net Worth, Cash Flow Projections, Estate Plan Flowcharts, and Income Tax Projections. Fees are charged on an annual retainer basis, billed quarterly in advance. Clients may terminate advisory services at any time, without penalty, by written notice. Fees charged in advance will be refunded for partial periods.

All clients are charged a fixed retainer fee, billed directly to the client and payable quarterly. (Fees charged in advance will be refunded for partial periods.) In certain, limited instances, IFO will also provide investment management services, upon the request of a client. All client accounts managed by IFO are maintained with an independent custodian. Such custodian provides account statements directly to clients monthly.

Clients may terminate advisory services at any time, without penalty, by written notice.

#### **General Information or Compensation and Other Fees**

In certain circumstances, fees, account minimums and payment terms are negotiable depending on client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special

skills needed to solve problems, the application of experience and knowledge of the client's situation.

IFO's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Mutual funds and exchange traded funds also charge management fees, other expenses and a possible distribution charge, which are disclosed in a fund's prospectus. These fees will generally include a management fee, other expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. Such charges, fees and commissions are exclusive of and in addition to IFO's fee, and IFO will not receive any portion of these commissions, fees, and costs.

A client could invest in a mutual fund or sub-account directly, without the services of IFO. In that case, the client would not receive the services provided by IFO which are designed, among other things, to assist the client in determining which mutual funds or sub-accounts are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds/sub-accounts and the fees charged by IFO to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

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IFO does not accept performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

IFO does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

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

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### **Types of Clients**

As described in Item 4, IFO's clients include High Net Worth individuals, their families, their related entities and certain charitable organizations.

## Account Minimums

IFO does not require a minimum account for investment supervisory services.

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

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### Methods of Analysis

IFO may employ the following security analysis methods: fundamental and technical analysis.

**Fundamental Analysis.** IFO may attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating that it might be a good time to buy) or overpriced (indicating that it might be a good time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Charting/Technical Analysis.** The terms “charting” and “technical” analysis are generally used synonymously and therefore, for the purpose of this document, the term, “technical analysis” will be used. IFO may analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

### Investment Strategies

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Other strategies may include exchange listed securities, securities traded over the counter, foreign issuers, corporate debt securities (other than commercial paper), certificates of deposit, municipal securities, mutual fund shares, US government securities, options contracts on securities, long-term purchases, short-term purchases, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

### Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. IFO’s investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

**Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

**Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.

**Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### **Other Types of Investments**

Clients of IFO may invest in hedge funds and private equity/venture capital partnerships. IFO does not create, sponsor, or, sell for others any such investments. IFO does, however, review offering materials for its clients to assess suitability within the client's investment program.

IFO reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives. IFO may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship or on any investment on which the client requests advice.



## **Item 9: Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of IFO or the integrity of IFO's management. IFO has no information to disclose applicable to this Item.

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

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### **Financial Industry Activities**

IFO is not registered as a broker-dealer, and none of its management persons are registered representatives of a broker-dealer.

Neither IFO nor any of its management persons is registered as (or associated with) a futures commissions merchant, commodity pool operator, or a commodity trading advisor.

### **Affiliations**

Neither IFO nor any of its management persons have a material relationship or arrangement with any related person or financial industry entities.

### **Other Investment Advisors**

IFO may select other investment advisors for its clients. IFO does not receive any compensation for the selection of other managers.

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

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### **Code of Ethics**

IFO's employees must comply with a Code of Ethics and Statement for Insider Trading. The Code describes the Firms' high standard of business conduct, and fiduciary duty to its clients. The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

IFO insists on the highest ethical standards in conducting its business.

### Integrity

Integrity is the foundation of our firm. We are each held accountable for the highest standards of behavior, honesty and fairness with respect to both clients and co-workers.

### Confidentiality

Client data is held in strictest confidence. Security of this data is imperative. Any breach of client confidentiality will result in immediate dismissal.

### Service

Every decision is made based on IFO's clients' best interests.

### Excellence

IFO strives to achieve the highest standards, continually working toward improvement.

W. Michael Reickert, Managing Member and Chief Compliance Officer, reviews all employee trades each quarter.

IFO's employees must acknowledge the terms of the Code of Ethics at least annually. Any individual not in compliance with the Code of Ethics may be subject to termination.

Clients and prospective clients can obtain a copy of IFO's Code of Ethics by contacting W. Michael Reickert at 518-301-1679.

### **Participation or Interest in Client Transactions – Personal Securities Transactions**

IFO and its employees may buy or sell securities identical to those recommended to clients for their personal accounts. The Code of Ethics (the "Code"), described above, is designed to assure that the personal securities transactions, activities and interests of the employees of IFO will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities, primarily mutual funds, have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of IFO's clients.

### **Participation or Interest in Client Transactions – Financial Interest and Principal/Agency Cross**

IFO and its employees do not recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest.

It is IFO's policy that the Firm will not affect any principal or agency cross securities transactions for client accounts. IFO will also not cross trades between client accounts.

## Item 12: Brokerage Practices

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### Research and Other Soft Dollar Benefits

IFO does not receive formal soft dollar benefits other than execution from broker/dealers in connection with client securities transactions. See disclosure below in “Directed Brokerage – Other Economic Benefits”.

### Brokerage for Client Referrals

IFO does not receive client referrals from broker/dealers.

### Directed Brokerage

Clients are encouraged to select their own brokers based on experience or personal knowledge. IFO will work with any broker chosen by a client.

In instances where the client does not have such experience or knowledge, IFO will recommend brokers based on factors of low cost, high service level and depth of experience necessary to meet the particular needs of the client. IFO receives no compensation or other consideration for its referrals.

IFO will generally recommend that portfolio management clients establish brokerage accounts with Fidelity Investments (“Fidelity”), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts.

### Directed Brokerage – Other Economic Benefits

IFO may receive from Fidelity, without cost to IFO, computer software and related systems support, which allow IFO to better monitor client accounts maintained at Fidelity, facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data and assist with back-office functions, recordkeeping and client reporting. IFO may receive the software and related support without cost because IFO renders investment management services to clients that maintain assets at Fidelity.

Specifically, IFO may receive the following benefits from Fidelity: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser Group participants; access to an electronic communication network for client account information. In addition, Fidelity also makes available to IFO other services intended to help IFO manage and further develop its business enterprise. These services may include publications and conferences on practice management, information technology and regulatory compliance.

IFO is independently owned and operated and not affiliated with Fidelity. Fidelity provides IFO with access to its institutional trading and custody services, which are typically not available to Fidelity retail investors. These services generally are available to independent investment advisors on an unsolicited basis **and are not otherwise contingent upon IFO committing to Fidelity any specific amount of business** (assets in custody or trading).

For IFO's client accounts maintained there, Fidelity is compensated through commissions or other transaction-related fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts. The brokerage commissions and/or transaction fees charged by Fidelity or any other designated broker-dealer are exclusive of and in addition to IFO's fees.

The commissions paid by IFO's clients shall comply with IFO's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where IFO determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. 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 among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while IFO will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

### **Trade Aggregation**

IFO may aggregate trades for multiple accounts. Orders for the same security entered on behalf of more than one client may be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. If the order is filled at different prices during the day, the prices are averaged for the day so that all participating accounts receive the same price. If an order has not been filled completely so that there are not enough shares to allocate among all the clients equally, shares will be allocated in good faith, based on the following considerations: amount of cash in the account, existing asset allocation and industry exposure, risk profile, and type of security. If a partial execution is attained at the end of the trading day, IFO will generally allocate shares on a pro rata basis, but may fill small orders entirely before applying the pro rata allocation. All clients participating in each aggregated order shall receive the average price and subject to minimum ticket charges, pay a pro-rata portion of commissions.

IFO's allocation procedure seeks to be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients.

On any day in which IFO is executing block trades for clients, all IFO employees shall be prohibited from trading in that stock.

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

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### **Reviews**

Reviews of client accounts are performed on a monthly basis by a 1<sup>st</sup> reviewer, Kristopher G. Grimmer, a CPA and Viju P. Rajan, a JD. A final review is completed by W. Michael Reickert, Managing Member and Chief Compliance Officer. Once a client determines an allocation of assets and chooses investment vehicles, IFO reviews these

investment vehicles and aggregate portfolios periodically to determine adherence to the agreed on allocation, performance, and volatility. If any of these three factors is in variance with expectations, discussions will be held with the client to determine if substitutions should be made.

Yearly, clients are asked to reassess their portfolio allocation and risk tolerance.

### **Review Triggers**

Other conditions that may trigger a review are changes in market, political or economic conditions, tax laws, new investment information, and changes in a client's own situation.

### **Reporting**

Clients are provided with (1) an estimate of income tax liabilities for the current calendar year, and, (2) supplemental reports documenting investment allocation, performance and volatility at least quarterly. The foregoing reports may be supplemented by written text prepared by IFO on specific issues as requested by the client or as initiated by IFO.

Clients will also receive periodic statement (typically monthly) from their brokers or other investment providers documenting account value, individual positions (where relevant) and account activity for their underlying investment accounts.

### **Financial Planning – Reviews and Reporting**

Financial Planning clients will be reviewed as contracted for at the inception of the engagement and receive reports as contracted for at the inception of the engagement.

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

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### **Other Compensation**

IFO does not receive any formal economic benefits (other than normal compensation and described in Item 12) from any firm or individual for providing investment advice.

### **Compensation – Client Referrals**

IFO does not make or accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Item 15: Custody**

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### **Custody – Fees**

Clients may authorize (in the client agreement) IFO to issue fees directly from the client's account at the broker dealer, bank or other qualified custodian (custodian) to IFO. Client investment assets will be held with a custodian agreed upon by the client and IFO. The custodian is advised in writing of the limitation of IFO's access to the

account, if any. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to IFO.

### **Custody – Trusteeship/Signatory**

The Managing Member of IFO acts as trustee for certain client trusts and has signatory over several client checking accounts for the purpose of providing check writing/bill paying services. Fees paid to IFO from any of these accounts are done only after receipt of written authorization from the client. Clients receive monthly account statements directly from the bank/custodian.

While this form of custody gives IFO access to, or in certain cases ownership of client funds and securities, IFO has internal controls and procedures over the custody function.

These forms of custody are offered on a limited basis. IFO complies with the SEC's Custody Rule with regard to the custody of the trust / signatory assets; annually the Firm is subject to a Surprise Examination by an independent accountant. IFO's most recent Surprise Examination commenced on October 29, 2012.

In all cases the client also receives an independent monthly/quarterly custodial statement indicating all balances in their account.

### **Custody – Account Statements**

As described above and in Item 13, clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or other reports that IFO provides. IFO statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16: Investment Discretion**

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IFO accepts discretionary authority to manage accounts on behalf of its clients. Discretion is exercised only by the Managing Member of IFO, in a manner consistent with the objectives of the client. Currently, all discretionary accounts are custodied with Fidelity Investments.

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

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IFO does not have any authority to and does not vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for securities maintained in their portfolios; clients receive proxies from directly from either custodians or transfer agents.

If requested, IFO may provide advice to clients regarding proxy votes. If any conflict of interest exists, it will be disclosed to the client. Clients may contact W. Michael Reickert at 518-301-1679 for information about proxy voting.

## **Item 18: Financial Information**

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IFO is not required to provide a balance sheet; IFO does not require prepayment of fees of more than \$1,200 per client, **and** six months or more in advance.

IFO has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.