

**Item 1 – Cover Page**

**Hutchinson & Ziegler Financial Advisors, Inc.**  
**Form ADV Part 2A - Brochure**  
**Updated: January 1, 2012**

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[www.hzadvisors.com](http://www.hzadvisors.com)

This Brochure provides information about the business practices of Hutchinson & Ziegler Financial Advisors, Inc. and the qualifications of its advisors. It is available, free of charge, to all clients and prospective clients of the firm by contacting Eric J. Ziegler or Heather I. Hutchinson at (415) 259-3933 or by visiting our website at [www.hzadvisors.com](http://www.hzadvisors.com).

The purpose of this brochure is to provide you with information about the firm that may help you make a decision on whether or not to retain our services.

Hutchinson & Ziegler Financial Advisors, Inc. (“HZFA”, “We”, or “Us”) is a Registered Investment Advisor in the State of California. The information in this Brochure has not been approved or verified by the State of California or by the Securities and Exchange Commission or by any other State securities authority, and registration as an investment advisor does not imply any specified level of skill or training.

## **Item 2 – Material Changes**

This is the annual update of our company Brochure, effective January 1, 2012. It will be made available each year to all clients by March 31<sup>st</sup>, and will be offered to prospective clients prior to engagement of our services, along with our firm's Investment Management Agreement. We will further provide clients and prospective clients with a new brochure as necessary based on material changes to or new information about our firm. Material changes for this annual update are as follows:

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law and in doing so, raised the threshold for advisor registration with the SEC from \$30 million under management to \$100 million under management. As a result, Hutchinson & Ziegler Financial Advisors, Inc. is required to transition from SEC to State registration this year.

Item 19 has been added to this Form ADV Part 2A. It includes additional information as required by the State of California.

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## **Item 4 – Advisory Business**

### **A. Advisory Firm**

Hutchinson & Ziegler Financial Advisors, Inc. was founded in 2003 by Heather Hutchinson, CFP®, as a sole proprietor under the name of Hutchinson Financial Management. Eric Ziegler joined the firm in 2006, and became a 50% owner when the company reformed as Hutchinson & Ziegler Financial Advisors, Inc in 2007. Heather and Eric are the sole owners and advisors at HZFA.

### **B. Advisory Services**

#### *Investment Management*

HZFA provides investment management services that include the development of an investment policy that is unique to each client, presentation and implementation of investment recommendations, and ongoing supervision and management of client investment assets. Other services include tax-related management and reporting, periodic rebalancing, semi-annual and annual reviews with clients, quarterly newsletter and periodic market commentary communications, and annual performance reporting. HZFA does not provide tax or legal services.

#### *Financial Planning*

In addition to investment management services, HZFA provides financial planning services to clients, which may include goal-based planning, cash-flow management, and *general* advice regarding mortgages, insurance, estate planning, tax planning, etc.. Financial planning services are typically offered to investment management clients at no additional charge. HZFA may also from time to time offer stand-alone planning services charged at an hourly rate.

### **C. Customized Portfolios**

HZFA tailors individual client portfolios in the following ways:

- We review a client's personal risk tolerance and time horizon, and then allocate investments among stocks, bonds and cash in order to optimize the trade-off between risk and return for that particular client.
- We review a client's liquidity needs to make sure they have sufficient cash on hand to fund either regular or unexpected portfolio withdrawals.
- We gather information about each client's tax situation to make sure that we are achieving the best possible investment returns on an after-tax basis.
- We make accommodations for investments that a client may hold that is outside of our normal set of recommendations. We also make accommodations for those clients who wish to engage in Socially Responsible Investing by researching and using SRI-strategy mutual funds.

## **D. Wrap Fee Programs**

HZFA does not participate in Wrap Fee programs.

## **E. Discretionary Management**

HZFA manages most client accounts on a discretionary basis, which means that clients do not approve transactions prior to their execution. As of this writing (March, 2011), approximately 85% of assets under management (\$34 million) is managed on a discretionary basis; the remainder, (\$6 million) is managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

A. Advisory fees are charged quarterly in advance. The fee is calculated by taking the quarter-end portfolio value, assigning the following rate schedule, and then dividing by four to arrive at a quarterly fee amount. The annual rates are:

<b><u>Assets Under Management</u></b>	<b><u>Fee</u></b>
\$0 - \$1,000,000	1.00%, plus
\$1,000,000 - \$3,000,000	0.75%, plus
\$3,000,000 - \$5,000,000	0.50%, plus
\$5,000,000 - \$10,000,000	0.35%, plus
\$10,000,000 and above	0.25%

The minimum fee for new clients is \$10,000 per year. Fees are negotiable. The specific manner in which fees are charged by HZFA is established in the client's Investment Management Agreement.

B. Clients may elect to pay fees directly by cash or check, or authorize HZFA to automatically debit fees from client accounts.

C. The fees listed above are in addition to any fees charged by the account custodian or costs associated with the implementation of the investment plan. These costs may include brokerage commissions, transaction fees, mutual fund operating expenses, custodial fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. HZFA does not receive any portion of these commissions, fees or costs, and seeks to minimize them on clients' behalf whenever possible.

Item 12 further describes the factors that HZFA considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

D. Investment Advisory contracts may be terminated at any time for any reason with written notice at the will of the client or Hutchinson & Ziegler Financial Advisors, Inc. HZFA will refund any prepaid, unearned fees, and any earned but unpaid fees will be promptly due and payable. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee, calculated based on a 30-day month, 360-day year calendar. Refunds will be paid by check and sent via U.S. mail within 30 days of receipt of termination notice.

E. HZFA and its advisors do not receive compensation from the sale of securities or any compensation other than client fees as described above.

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

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

## **Item 7 – Types of Clients**

HZFA provides investment management and financial planning services to high net worth individuals, families, trusts, corporate pension and profit-sharing plans, and charitable institutions.

HZFA does not have a mandatory minimum account size. Rather, we charge a minimum annual fee, which is currently \$10,000. This minimum fee may be negotiable for those clients with less than \$1 million under management.

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

HZFA follows the principles of asset allocation to construct broadly diversified investment portfolios that are designed for the long-term and are based on each client's personal circumstances (goals, time horizon, risk tolerance, tax considerations). We strive to keep expenses and investment costs low, and primarily use no-load, low-cost mutual funds and exchange-traded funds when implementing investment portfolios. We seek to minimize the effect of taxes through asset location and tax-efficient investment vehicles.

Although we do a great amount of work to determine in advance a client's risk tolerance, it is important to understand that investing money involves many risks, including the risk of loss of principal, and clients should be prepared to bear this risk. We cannot guarantee any particular investment outcome.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of HZFA or the integrity of our management. HZFA has received no legal or disciplinary action.

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

A., B., and C., HZFA occasionally provides financial planning services on an outsource basis to Litman/Gregory Asset Management. Other than that, we have no material relationship or arrangement with any of the following: broker-dealers, municipal or government securities dealers, investment companies or other pooled investments, closed-end investment companies or unit investment trusts, hedge funds or offshore funds, other investment advisors or financial planners, futures commission merchants, commodity trading advisors, banking or thrift institutions, accountancy firms, law firms or insurance agencies.

D. From time to time HZFA may give gifts valued at less than \$50 in value to clients or colleagues based on an ongoing relationship; however, HZFA does not participate in any formal compensation-for-referrals arrangement.

## **Item 11 – Code of Ethics**

HZFA has adopted a Code of Ethics for the firm describing our high standard of business conduct and fiduciary duty to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at HZFA must acknowledge the terms of the Code of Ethics annually, or as amended.

The owners and advisors of HZFA follow the same investment strategy for their personal assets as is recommended to clients and, as a result, have ownership interest in many of the same mutual fund investments. Employee trading is continually monitored in order to reasonably prevent conflicts of interest between HZFA and its clients.

HZFA's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Eric Ziegler or Heather Hutchinson at (415) 259-3933.

## Item 12 – Brokerage Practices

HZFA may require that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. HZFA is independently owned and operated and not affiliated with Schwab. Schwab provides HZFA with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets is maintained in accounts at Schwab Institutional and is otherwise not contingent upon HZFA committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For HZFA's clients' accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to HZFA other products and services that benefit HZFA but may not benefit our clients' accounts. Some of these other products and services assist HZFA in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), provide research, pricing information and other market data, facilitate payment of HZFA's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of HZFA's accounts. Schwab also makes available to HZFA other services intended to help HZFA 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, Schwab may make available, arrange and/or pay for these types of services rendered to HZFA by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to HZFA. While as a fiduciary, HZFA endeavors to act in its clients' best interests, our requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to HZFA 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 Schwab, which may create a potential conflict of interest.

HZFA does not receive or utilize soft dollars, nor do we enter into any soft-dollar arrangements with broker-dealers. We do not receive compensation directly or indirectly from any source other than fees paid to us by our clients. Heather Hutchinson and Eric Ziegler do not receive commissions of any sort, nor does HZFA receive a share of any fees collected by account custodians or mutual fund companies.



## **Item 13 – Review of Accounts**

A. All client accounts are reviewed according to a set schedule, as follows:

*Daily Review:* our primary custodian, Charles Schwab, provides HZFA with a daily electronic data file containing all client account transactions and positions. Accounts are monitored and reconciled to the custodian on a daily basis.

*Semi-Annual Review:* All accounts are reviewed every six months in relation to their target portfolio weights, market movements, changes in fund recommendations, and shifts in target asset allocations.

*Annual Review:* In addition to the above, we seek to meet with clients at least once per year in order to stay informed regarding their personal situation and to determine whether the established Investment Policy remains appropriate. All portfolios are rebalanced at least once per year.

*Upon Client Request:* In addition to the above, we periodically review client accounts in relation to new information presented by the client or in order to provide information requested by the client.

All reviews, whether initiated by Client or Advisor, are performed by Heather I. Hutchinson, CFP®, Principal and/or Eric J. Ziegler, Principal.

B. Factors that may trigger a review in addition to those listed above include withdrawals from a client portfolio, additions to a client portfolio, changes to our tactical investment strategies, changes to our approved list of mutual funds, and extreme market conditions that would trigger a rebalancing of the portfolio prior to the next six-month review date.

C. All Investment Management clients receive monthly account position and transaction statements from the account custodian (primarily Charles Schwab). In addition, HZFA provides quarterly consolidated performance reports and portfolio statements, along with a reporting of fees charged. Investment Management clients also receive annual and since-inception performance reports at their annual review date. Clients may elect to have reports from Schwab and HZFA delivered electronically (via e-mail and website access) or via U.S. mail.

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

It is HZFA's policy that the firm will not engage in any compensation arrangements for client referrals.

## **Item 15 – Custody**

Clients receive monthly statements from the custodian that holds and maintains clients' investment assets (primarily, Charles Schwab & Co.). Many clients elect to receive these statements

electronically, which requires them to establish a user ID and password to [www.schwab.com](http://www.schwab.com) and to logon to Schwab's website to review their accounts.

HZFA urges all clients to carefully review these statements and compare Schwab's official custodial records to the account statements that we provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

In addition to comparing account values and securities transactions, HZFA urges clients to review our billing statements sent each quarter with the amount of fees actually deducted from client accounts.

## **Item 16 – Investment Discretion**

HZFA manages most client accounts on a discretionary basis, which means that the client does not approve transactions prior to their execution.

At the establishment of the advisory relationship, we collaborate with new clients on the preparation of a client-specific investment policy and then draft an Investment Policy Statement, which describes the client's personal financial situation, long-term return objectives, risk-tolerance, and any special constraints on the portfolio, such as significant tax exposure, a need for liquidity, or a desire for socially responsible screening. The Investment Policy Statement also describes our investment approach and contains an allocation of assets among cash, bonds and stocks from which we will not diverge beyond set tolerance levels (usually 5%). We will only invest in mutual funds and exchange-traded funds – any other types of securities, such as individual bonds, stock options, etc. will be with client agreement and documented in the Investment Policy Statement prior to the execution of any transactions.

As a result of the above policies, decisions made by us are typically limited to the specific securities to be bought or sold, and the amount and timing of those transactions.

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

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

## Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. HZFA 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.

HZFA does not collect management fees, of any amount, six months or more in advance.

## Item 19 – Requirements for State-Registered Advisers

### A. Education Standards and Business Background

Advisory persons associated with HZFA must, at a minimum, possess a Bachelor's degree and/or five years of appropriate business experience, in addition to all required licenses, and have, or be pursuing, one of the following professional designations: Certified Financial Planner (CFP®) or Chartered Financial Analyst (CFA).

#### ***Heather Irene Hutchinson, CFP®, Principal, was born in 1970***

##### Education:

- Certified Financial Planner designation awarded in July, 2000
- Certificate in Personal Financial Planning, UC Berkeley Extension, 1999
- Bachelor of Arts, University of California, Santa Cruz, 1993

##### Relevant Business Background:

- Owner, Hutchinson & Ziegler Financial Advisors, Inc. (formerly Hutchinson Financial Management) since 2003.
- Portfolio Manager, Bingham, Osborn & Scarborough, LLC 1999 – 2002
- Portfolio Administrator, Bingham, Osborn & Scarborough, LLC 1997 – 1999
- Operations Administrator, Charles Schwab & Co. Inc. 1995 - 1997

#### ***Eric Joseph Ziegler, Principal, was born in 1965***

##### Education

- Certified Financial Planner Designation awarded in February, 2012
- Certificate in Personal Financial Planning, UC Berkeley Extension, 2011
- Bachelor of Arts, Economics, San Francisco State University 1989

##### Relevant Business Background

- Owner, Hutchinson & Ziegler Financial Advisors, Inc. (formerly Hutchinson Financial Management) since 2007

- Examiner, Securities and Exchange Commission, 2005
- Relationship/Operations Manager, Charles Schwab & Co. Inc. 1990 - 2000

B. Neither Heather Hutchinson nor Eric Ziegler is actively engaged in any business other than providing investment and financial planning advice.

C. Heather Hutchinson and Eric Ziegler do not receive performance-based fees or commissions.

D. Neither Heather Hutchinson nor Eric Ziegler has been involved in any event related to wrongdoing or dishonest or unethical practices, nor been found liable in a civil, self-regulatory organization or administrative proceeding.

E. Heather Hutchinson and Eric Ziegler do not have any relationships or arrangements with issuers of securities not listed in Item 10C.