

## **ADV FORM PART 2A – FILED WITH THE SEC**

### **1. COVER PAGE**

Polaris Financial Services, Inc., is a fee only financial planning firm which incorporates investment management, financial planning and tax preparation and consulting among its services.

Polaris Financial Service, Inc. is located at

300 Tamal Plaza Suite 175  
Corte Madera, CA 94925

Telephone (415) 927-0722  
Fax (415) 329-2103

Its web site is

<http://www.polarismarin.com>

Polaris Financial Services, Inc. had its start in January, 2009 and is the successor organization to Elliott R. Chernin Financial Services, which had its origin in 1985. Margaret M. Daly is the president of Polaris Financial Services, Inc.

This brochure was prepared in March, 2013, and is not approved by the Securities and Exchange Commission or any state securities authority.

## 2. MATERIAL CHANGES

The material changes since Polaris' previous brochure are that Elliott R. Chernin is no longer a shareholder and that Margaret M. Daly has acceded to the office of President. Additionally, the dollar value of assets managed by Polaris Financial Services, Inc. is \$200 million.

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#### 4. ADVISORY BUSINESS

Polaris Financial Services, Inc. provides investment management, financial planning on a broad and general basis, including the areas of retirement and estate planning and insurance and business planning as well as tax preparation and consulting to its clients, primarily individuals. Among its clientele, however, are corporations, self-employed individuals and non-profit organizations, pension and profit sharing plans, trusts and estates.

Its principal officers and shareholders are:

Margaret M. Daly	CPA, CFP™
Rebecca M. Crandall	EA, CFP™

Its end of 2012 assets under management per the custodians totaled \$200,000,000.

#### 5. FEES AND COMPENSATION

Polaris Financial Services, Inc. is a fee only firm.

Generally, fees are requested to be paid quarterly in advance and while an hourly rate may be quoted, Polaris normally engages clients on an annual retainer basis. Fees are based on the services to be rendered and dependent on the range of investment assets involved.

New clients are assessed a one-time non-refundable fee based on services to be performed, which typically include all aspects of financial planning such as retirement, estate and risk planning, income tax matters, evaluations of current investments, financial objectives and risk tolerance, investment recommendations and finally, implementation. The one-time fee is discussed and agreed upon in advance and ranges between \$1,500 and \$3,000. The fee is based upon a minimum of 8 hours, for which our billing charge is \$250 per hour. This one time charge allows a client unlimited personal and telephone time.

In addition, there is an ongoing annual fee, which ranges from \$1100 to \$12,000, depending on the range of investment assets under management. This fee includes investment management, financial planning and federal and state tax preparation and consulting. Our fees are non-negotiable. If an agreement is terminated, the client may receive a pro-rated refund. However, there is a minimum fee of \$1100 when Polaris includes tax preparation. A pro-rated refund of any remaining fee is allowable after the \$1100 amount is deducted.

A 2013 fee schedule is attached hereto.

Polaris Financial Services, Inc., engages as its principal custodian of assets the Charles Schwab organization. (Some assets, including college plan accounts, are custodiated at American Funds and a few other accounts are custodiated at T Rowe Price.). Typically, Schwab does not charge custody or account maintenance fees. Schwab does charge fees for the buying and selling of securities except in those cases where the mutual fund family elects to absorb those charges. Schwab does charge in some instances fees for the wiring of money to third party organizations and will charge a fee for the transfer of an entire account to another custodian.

Polaris Financial Services, Inc. does not earn commissions from any party; its revenues are generated entirely by its clientele. Polaris Financial Services, Inc. believes it has no conflicts of interest.

Polaris Financial Services, Inc., primarily recommends mutual funds and exchange traded funds and individual municipal bonds to its clientele. While Schwab may charge a transaction fee, all such mutual funds are “no-load” (non-commissionable). All mutual funds and exchange traded funds charge an annual percentage of assets which varies by company. Some funds assess fees called 12b-1 fees, which pay for marketing and distribution expenses. These fees are categorized as annual operating expenses. Rule 12b-1 fees are disclosed in a mutual fund’s prospectus.

Polaris Financial Services, Inc. recommends to its clients that the Charles Schwab organization act as custodian but clients may purchase the same security or investment from an unaffiliated brokerage firm.

Polaris Financial Services, Inc. normally deducts fees from client accounts. Its procedure is to issue to its clients an annual billing early in January and with the exception of clients who are billed at a minimum annual fee, the fee is deducted quarterly in advance. For clients who are billed the minimum fee, that fee is due and payable in its entirety in advance.

## Annual Financial Planning and Investment Management

Portfolio value to \$100,000.....	\$1,100
Portfolio value \$101,001-\$250,000.....	\$1,900
Portfolio value \$250,001-\$500,000 .....	\$3,500
Portfolio value \$500,001-\$750,000 .....	\$5,500
Portfolio value \$750,001 to \$1,000,000.....	\$7,500
Portfolio value \$1,000,001 to \$1,500,000 .....	\$9,500
Portfolio value \$1,500,000 + .....	\$12,000

- Our minimum fee is \$1,100, otherwise fees will never exceed 1% of portfolio value and will include preparation of individual tax returns and general financial planning.
- Fees are based on portfolio size, not including real estate or currently active employer sponsored retirement plans.
- First year financial planning fees include a review of your estate, insurance and tax situations, investments you currently hold and establishing your plan for financial independence and any other priorities you have. Note these are one-time charges, *in addition to* an annual fee, and vary accordingly to the value of portfolio assets. We do not count any assets which are not under our active management, such as currently active employer sponsored retirement plans.

Portfolio value \$500,000.....	\$1,500
Portfolio value \$500,000-\$1,000,000.....	\$2,500
Portfolio value 1,000,000 and above.....	\$3,000

- Fees are based on assets held at previous year's end and may be adjusted quarterly.
- Charles Schwab & Co. will remit the fee to us, drawn from your money market account quarterly. No security position will be affected. **However, sufficient cash needs to be in the account to cover the quarterly fee.**
- Should our services be terminated during the course of the year, and we have prepared tax returns, our minimum fee of \$1,100 will be subtracted from the annual retainer, then a prorata portion of any remaining amount will be refunded.

## 6. PERFORMANCE BASED FEES

Polaris Financial Services, Inc. does not participate in performance based fees.

## 7. TYPES OF CLIENTS

Polaris Financial Services, Inc. particularly caters to individuals and self-employed individuals and as a result does not require any minimum amount of assets to qualify as a client. As indicated elsewhere, Polaris Financial Services, Inc. does count among its clients corporations, non-profit organizations, pension and profit sharing plans and trusts and estates.

## 8. ANALYSIS, STRATEGIES AND LOSS

Polaris Financial Services, Inc. conducts a client needs analysis while taking into account a client's risk tolerance to arrive at a strategic allocation, that is, whether a portfolio should be comprised of equities only or some combination of equities and bonds. As changes occur in the economy or in a client's objectives and risk tolerances, or in a client's circumstances, tactical allocations are made. Polaris relies on the long term performance records of the investment companies it recommends, requiring certain standards of performance in 3, 5 and 10 year rolling periods against benchmarks and peer group performance. Polaris will recommend whenever possible an investment process known as dollar cost averaging by which a fixed amount of money is invested every month, and typically recommends a diversified portfolio, to include most major asset classes.

Polaris Financial Services does not engage in frequent trading and cautions its clients against investing for the short term and advises all clients that investing in any kind of securities involves risk of loss. Polaris cautions its clients that investing in any security carries risk of loss, and it cautions investors that investing in equities normally carries more risk of loss and more volatility than investing in bonds, though both kinds of investments are always subject to loss. Risk of loss is particularly enhanced when investing for short terms. Polaris does not engage in market timing in any way.

## 9. DISCIPLINARY ACTIONS

Polaris Financial Services, Inc. has no legal or disciplinary events against the company or any of its officers or employees.

## 10. OTHER BUSINESS ACTIVITIES AND AFFILIATION

Elliott R. Chernin holds a securities license designated as a series 7 and is affiliated with a broker-dealer, Financial Telesis, Inc., a regional broker-dealer located in San Rafael, CA. For past securities business transacted through Financial Telesis, Inc., Elliott Chernin receives trailing fees of .0025%, often referred to as 12b (1) fees. These are not used to offset any fees that Polaris may assess. Elliott Chernin does not transact any new business or open any new accounts through Financial Telesis, Inc.

Polaris Financial Services, Inc., does not have any affiliation with Financial Telesis, Inc. Polaris is a fee only investment advisory firm that does not and will not receive residual or new commissions.

## 11. CODE OF ETHICS, PERSONAL TRADING AND PARTICIPATION IN CLIENT TRADING

Polaris has developed a Code of Ethics (the “Code”) which covers its employees, Investment Advisory Representatives and the registered and non-registered assistants of its Investment Advisory Representatives (“Covered Persons”). The Code requires that all Covered Persons conduct all business dealings in an ethical fashion, and encourages all Covered Persons to meet not only the technical requirements of the Code but also its spirit. Under the Code, Covered Persons have an affirmative duty of care, loyalty and honesty and must act in the best interests of their clients. Polaris’ code requires Covered Persons to comply with all federal securities laws. In addition, Covered Persons are prohibited from defrauding, misleading or manipulating a client in any way in connection

with the purchase or sale of a security. Further, Covered Persons may not favor the interests of one client over the other. In the course of normal business, Covered Persons may receive confidential information concerning clients and potential clients. The general rule as discussed in the Code is that this information should never be communicated to anyone other than Investment Advisory Representatives, assistants and employees of Polaris who need to know, and where appropriate, to the participants involved in a specific transaction. The Code has strict guidelines regarding personal securities transactions, designed to ensure that Covered Persons are not misusing their inside positions at clients' expense. Covered Persons are specifically prohibited from profiting personally, directly or indirectly, as a result of knowledge about a security or transaction. To enable Polaris to monitor compliance with the Code, Polaris requires that Covered Persons provide Polaris with duplicate copies of confirmations and statements for accounts held at financial institutions other than Charles Schwab and American Funds. A copy of the Code of Ethics is available upon request.

Employees of Polaris Financial Services, Inc. may purchase and sell the same mutual funds and exchange traded funds it recommends to its clients. No employee has any material interest in any of its recommendations. Polaris believes that no conflicts of interest exist. However, employees may not take positions contrary to those recommended to clients (for example, selling an investment product while recommending that a client buy that product). All transactions will be placed with the client's best interest in mind and in accordance with the SEC, FINRA and State requirements.

## 12. BROKERAGE PRACTICES

Polaris Financial Services, Inc. recommends that its clients utilize the services of Charles Schwab and Co., Inc. as the custodial broker-dealer for assets held in their investment advisory accounts. Schwab provides services such as account maintenance, money market accounts, self-directed securities, purchases and sales. Polaris believes that Schwab fees are reasonable and equitable but makes no assessment of these except to note they are generally competitive.

Schwab provides Polaris with access to its institutional trading and operations services, which are typically not available to Schwab retail customers. These services generally are available to independent investment advisors at no charge to them so long as a total of at least \$10 million of the advisor's clients' account assets are maintained at Schwab.

Schwab's services to independent financial advisors include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or should require a significantly higher minimum initial



investment. Schwab Institutional also makes available to Polaris other products and services that benefit the firm but may not directly benefit its clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of our fees from clients' accounts, and assist with back office support, record keeping and client reporting. Many of these services may be used to service all or a substantial number of Polaris accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional may also provide Polaris with other services intended to help the firm manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab Institutional 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 Polaris. Polaris believes that most securities custodians provide these services to advisors and also believes the value of these services is not material.

Polaris Financial Services, Inc. believes that any benefit received from Schwab benefits its clientele as a whole and therefore no client fees are reduced for any such benefit. Polaris believes its clients enjoy competitive pricing on the purchase of any securities and all clients benefit alike.

Polaris Financial Services, Inc. does not receive referrals from Schwab.

Since Polaris does not recommend individual securities except individual municipal bonds, it does not engage in aggregate purchases. Mutual funds and Exchange Traded Fund and Municipal Bonds are purchased for clients at Schwab's published prices.

### 13. ACCOUNT REVIEW

Polaris representatives review client portfolios monthly as well as the mutual fund performance against market indexes and within peer groups. On a semiannual basis, Polaris Representatives review asset allocation. Cash balances are reviewed monthly. Generally, Polaris Representatives meet with clients on at least an annual basis or more frequently at the request of the client.

If and when Polaris Representatives become aware of a client's change in economic circumstances or in objectives or in risk tolerance, we will recommend either an in-person or a telephone meeting, according to the wishes of the client.

Polaris Financial Services, Inc. provides its clients a quarterly report of assets custodianed at Schwab. This report shows clients the security held, the number of shares, their value and whether the security performance represents a plus or minus value from previous year end.

#### 14. REFERRALS OR OTHER COMPENSATION

Polaris Financial Services, Inc., relies almost entirely on its clientele for referrals and no compensation is awarded. Occasionally, a professional colleague, such as an accountant or attorney, may refer a client to Polaris. No compensation is awarded. Polaris does not receive any prizes or awards of any kind from any professional, such as an attorney, that it may refer clients to.

#### 15. CUSTODY

Schwab issues written reports monthly to clients of Polaris Financial Services, Inc. Additionally, clients may access their account information directly from Schwab on its web site. Polaris always recommends that clients review their account statements for accuracy.

The quarterly reports that Polaris Financial Services, Inc. generates for clients are separate from those generated by Schwab.

#### 16. INVESTMENT DISCRETION

Polaris Financial Services does not have discretion over any client account.

#### 17. PROXY VOTING

Polaris Financial Services, Inc. will request that clients vote their own proxies or that they engage another party to determine how the proxies should be voted. Polaris will not provide proxy-voting services.

## 18. FINANCIAL INFORMATION

Polaris Financial Services, Inc. does not have discretionary authority over client assets. It does not require prepayment of more than one quarter's fee per client in advance and has not been party to any bankruptcy petition.

## **ADV FORM Part 2 B**

### **1. COVER PAGE**

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300 Tamal Plaza Suite 175  
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Its web site is:

<http://www.polarismarin.com/>

Polaris Financial Services, Inc. had its start in January, 2009, and is the successor organization to Elliott Chernin Financial Services, which had its origin in 1985. Margaret M. Daly is the president of Polaris Financial Services, Inc.

Elliott Chernin, Margaret Daly and Rebecca Crandall form the investment committee, and Elliott Chernin, as compliance officer for the firm, is responsible for supervision of all activities of the firm.

This brochure was prepared in March, 2013, and is not approved by the Securities and Exchange Commission.

### **2. BACKGROUND AND EXPERIENCE**

Elliott Chernin

#### EDUCATION

2 ½ years of education at Arizona State University  
2 years of education at Antioch College (Ohio)  
1 year of education at University of San Francisco

#### BUSINESS HISTORY

28 years of investment management, financial planning and tax preparation and consulting as principal of Elliott Chernin Financial Services and its successor company, Polaris Financial Services, Inc.

Prior to this he was executive vice president for AMFAC Hotels and Resorts, a Hawaii based company, and held several positions with one of its subsidiaries, altogether for more than 20 years.

#### PROFESSIONAL DESIGNATIONS

Enrolled Agent (see explanation at end of brochure)  
Certified Financial Planner <sup>TM</sup> (see explanation at end of brochure)

Margaret M. Daly

#### EDUCATION

4 years at California Polytechnic State University  
2 years at Golden Gate University  
2 years at Boston University

#### BUSINESS HISTORY

President of Polaris Financial Services, Inc. since January 1, 2013.  
Vice President of Polaris Financial Services, Inc. since January 1, 2009.  
President of Polaris Tax and Accounting, Inc. since January 1, 2009, and its predecessor company, Margaret M. Daly, CPA since 2010.

## PROFESSIONAL DESIGNATIONS

Certified Public Accountant  
Certified Financial Planner <sup>TM</sup> (see explanation at end of brochure)

Rebecca M. Crandall

## EDUCATION

5 years of education at University of Utah  
3 years of education at University of California Extension

## BUSINESS HISTORY

Employed by Polaris Financial Services, Inc., since January, 2009, and its predecessor company, Elliott Chernin Financial Services from January, 2005.

Employed by Charles Schwab and Company from 1995 through 2004 in employee benefit planning and implementation.

## PROFESSIONAL DESIGNATIONS

Enrolled Agent  
Certified Financial Planner <sup>TM</sup> (see explanation at end of brochure)

3. DISCIPLINARY INFORMATION

None

4. OUTSIDE BUSINESS ACTIVITIES

Elliott Chernin is registered with Financial Telesis, Inc., a registered broker-dealer, member FINRA/SIPC. Elliott Chernin will earn residual commissions from past securities business that was transacted through Financial Telesis, Inc. No new business is transacted through Financial Telesis, Inc.

5. ADDITIONAL COMPENSATION

No supervised person receives sales awards or prizes as Polaris Financial Services, Inc. is a fee only organization and does not accept commission or fees from investment sources.

The Charles Schwab organization provides Polaris Financial Services, Inc. with custodian services at no charge and also provides ancillary services including computer software at either a reduced charge or no charge. A copy of our Form ADV filed with the Securities and Exchange Commission and available on its web site details the arrangements with the Charles Schwab organization.

6. SUPERVISION

Polaris Financial Services, Inc. maintains a pre-determined list of acceptable investments among mutual funds and exchange traded funds that it subsequently recommends to clients. All supervised employees are required to abide by that list. In the event a security not already on that list is to be recommended it is brought before the investment committee, which is comprised of Elliott Chernin, Margaret Daly and Rebecca Crandall.

## 7. EXPLANATIONS OF PROFESSIONAL DESIGNATIONS

An ENROLLED AGENT (EA) is a federally authorized tax practitioner who has technical expertise in the field of taxation and who is empowered by the U.S. Department of the Treasury to represent taxpayers before all administrative levels of the Internal Revenue Service for audits, collections and appeals.

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;



- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

