



# WOODWARD

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## FINANCIAL ADVISORS, INC

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This brochure provides information about the qualifications and business practices of Woodward Financial Advisors. If you have any questions about the contents of this brochure, please contact us at 919-929-2495. 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 Woodward Financial Advisors is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for our firm's name or by using the firm's CRD number. The CRD number for Woodward Financial Advisors is **150641**.

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

## **Item 2 – Material Changes**

Since our last annual update was filed in March 2014, Joseph Marques has joined our firm as a Financial Planner and Financial Advisor. Information about his education background, business background and other details are contained at page 21 of this brochure.

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**

Woodward Financial Advisors, LLC was originally founded in 1995 by its namesake, Henry Woodward. In 2009, the current owner, James R. Miller purchased the business assets of Woodward Financial Advisors, LLC from Mr. Woodward when he retired from the industry. Mr. Miller formed Woodward Financial Advisors, Inc. at that time and began the transition of converting the LLC's business to the new corporation. Woodward Financial Advisors, Inc (referred to as "Woodward Financial Advisors" or "WFA" throughout this document) has been registered with the SEC as an investment advisor since June 2009.

Woodward Financial Advisors is a fee-only, independent, financial planning and investment advisory firm registered with the U.S. Securities and Exchange Commission ("SEC"). WFA is an S-Corporation formed under the laws of the State of North Carolina.

The firm provides financial planning and investment management services to individuals, families and their related entities, trusts and estates, and businesses. WFA works with clients to define their financial objectives and create strategies to achieve these objectives while providing peace of mind.

The firm's compensation is derived solely from fees paid directly by clients, also known as "fee-only". The firm does not receive commissions or pay or receive referrals fees from anyone. We work in a consultative fashion with our clients and feel that this is the most transparent of all business models, and we would do business no other way.

#### **General Description of Primary Advisory Services**

The following are brief descriptions of Woodward Financial Advisors' primary services. A detailed description of Woodward Financial Advisors' services is provided in *Item 5 – Fees and Compensation* so that clients and prospective clients can review the services and description of fees in a side-by-side manner.

**Wealth Management Service** - Woodward Financial Advisors provides proactive advisory services in the form of Wealth Management. Wealth Management Services involve providing clients with continuous and on-going supervision over their portfolio in addition to financial planning services. This service involves periodic meetings, conference calls and emails and is very comprehensive in nature. Our Wealth Management service is geared towards folks that wish to have continuous financial consultation and delegate the investment management to a professional. The financial planning component 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.

**Hourly Advice** - We work with a limited number of clients on an hourly basis, charging a current rate of \$250/hour. The firm has stopped taking on new clients in an hourly fashion but still services a few of these legacy hourly clients. These engagements are limited in scope and may involve analysis such as asset allocation, cash flow, investments, tax planning, etc.

**Outside Money Managers** – On occasion, Woodward Financial Advisors provides advisory services by referring clients to outside, or unaffiliated, money managers through SEI Investments. Third-party money managers are responsible for continuously monitoring client accounts and making trades client accounts

when necessary. Woodward Financial Advisors meets with the client to determine whether these managers are appropriate for them given their specific financial situation.

### **Specialization.**

We specialize in comprehensive financial planning, which can include areas such as retirement planning, investments, estate planning, college funding analysis, risk assessment, and tax planning, among others. We customize our advice to each individual client and do not have a one-size fits all cookie-cutter approach. Each client situation is unique and so is our advice.

### **Limits Advice to Certain Types of Investments.**

Woodward Financial Advisors Implements client portfolios under the Wealth Management service using a variety of instruments, tailored to the individual clients' goals. The portfolio may include investments such as no-load mutual funds, exchange-traded funds, individual stocks or bonds, annuities, variable life insurance or partnerships. Woodward Financial Advisors does not provide advice or implement portfolios with things such as options contracts, individual commodities, direct real estate, futures contracts, hedge funds or other private (i.e. non-registered) securities.

When clients engage our Wealth Management service, the firm will typically construct each client's account holdings using mutual funds and exchange-traded funds to build diversified portfolios. We focus on low-cost and passive investments as part of our global asset allocation strategy. It is not Woodward Financial Advisors' typical investment strategy to attempt to time the market but we may make tactical changes from time to time as deemed appropriate, based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations like: low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

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

Woodward Financial Advisors' services are always provided based on the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information.

### **Client Assets Managed by Woodward Financial Advisors**

The amount of client assets managed by Woodward Financial Advisors totaled approximately \$175,057,223 as of March 2014, accounting for about 96 households. The entire portion is managed on a discretionary basis.

## **Item 5 - Fees and Compensation**

### **Wealth Management Services**

Woodward Financial Advisors offers Wealth Management Services that provide continuous investment management for clients based on the individual needs of the client. Through this service, Woodward Financial Advisors offers a highly customized and individualized investment program to clients, as well as includes all of the financial planning aspects listed previously. This service includes, but is not necessarily limited to, the following topics.

1. Discussing general investment theory and philosophy ,
2. Outlining various investment strategies and their implications,

3. Providing asset category recommendations,
4. Developing appropriate investment strategies,
5. Recommending specific investments to the client,
6. Preparing paperwork to transfer and invest client portfolio with WFA custodian
7. Managing an investment portfolio for the client,
8. Identifying and preparing criteria for selection of specific investments, including mutual funds and bonds.
9. Monitoring and Rebalancing the portfolio based on the client's target allocation

Clients engaging these services execute a Wealth Management Agreement. At the beginning of the process, Woodward Financial Advisors will write an Investment Policy Statement for review and approval by the client. The Investment Policy Statement will describe client's circumstances and goals, the proposed investment approach, and an appropriate asset allocation.

Woodward Financial Advisors typically provides Wealth Management Services through accounts custodied on three different qualified custodian platforms: Fidelity Investments' Institutional Wealth Services (Fidelity), TD Ameritrade Institutional, and SEI. Fidelity accounts are held through Fidelity Brokerage Services, LLC or National Financial Services, LLC. Both are registered broker/dealers. TD Ameritrade Institutional accounts are held directly at TD Ameritrade, also a registered broker/dealer. SEI Trust Company, a subsidiary of SEI Corporation, acts as the transfer agent and custodian for SEI Management Program accounts.

Factors used by Woodward Financial Advisors to recommend a custodian to clients will depend on the client's individual investment objectives, investment needs and other factors deemed to be in the best interest of the client by Woodward Financial Advisors

Woodward Financial Advisors will be granted discretionary trading authorization by the client for the client's accounts, per the Wealth Management agreement. This trading authority allows WFA to place trades without consulting with the client first, which enhances efficiency. Any trade that is placed will be according to the client's investment policy. WFA will not change a client's investment policy without first having a discussion about why the client's goals, needs, time horizon or risk tolerance has changed.

### ***Fee for Wealth Management Services***

The annual fee for Wealth Management Service is charged on an annual flat-fee basis for all new clients. The annual fee is customized to each client and based on the complexity of the client's situation including factors such as sources and types of income; the number and types of investment accounts, insurance policies, pension plans, annuities, and real estate holdings; net worth; and other special circumstances.

The annual fee is determined at the beginning of the engagement with Woodward Financial Advisors and is reevaluated annually to make sure it is fair to both the client and WFA, but will generally not exceed 1% of the client's net worth. The annual fee may be changed by Woodward Financial Advisors with a 30-day prior written notice to the client.

For some clients that existed before July 2009, their fee is based upon the amount of assets under the firm's management. The following schedule is the firm's typical fee schedule for those legacy clients: Assets under management from \$0-\$250,000 billed at 1.25%, from \$250,001-\$1,000,000 billed at 1.00% and over \$1,000,001 billed at 0.75%.

Annual flat-fees are divided into quarterly amounts and are billed in advance, in the first month of each calendar quarter. Annual asset-based fees are divided and billed quarterly in advance, based on the

amount of assets held in the client's account(s) at the end of the previous quarter. Fees are always pro-rated when the client establishes an agreement at any time other than the beginning of the calendar quarter. The minimum annual fee for Wealth Management services is \$7,500.

Fees are generally deducted directly from the client's account(s). Clients must provide the custodian with written authorization to have fees deducted from the account and paid to Woodward Financial Advisors. Woodward Financial Advisors or the applicable custodian provides statements to clients showing the fee amount that was deducted. The custodian sends client statements no less than quarterly showing all disbursements from the account including the amount of the investment advisors fee if deducted directly from the account.

### ***General Disclosure Regarding Other Fees Charged by Third-Parties***

Woodward Financial Advisors earns compensation only from the fees described above. However, clients will be subject to other fees and expenses in relation to the services provided by Woodward Financial Advisors. For example, brokerage transaction ticket fees charged by the custodian will be billed directly to the client. Woodward Financial Advisors will not receive any portion of such commissions or fees from the custodian or client. (Note that custodians charge Woodward Financial Advisors' clients ticket charges at institutional rates that are almost always less than retail rates.) In addition, clients may incur certain charges imposed by third parties including, but not limited to, account closing fees for accounts transferred from client's former brokerage firm to a custodian recommended by Woodward Financial Advisors, IRA and qualified retirement plan fees, and variable annuity fees and surrender charges. (Note that Woodward Financial Advisors only recommends mutual fund share classes that are "no load", meaning that they do not have sales charges or carry 12b-1 fees.) Fees charged by Woodward Financial Advisors 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's security prospectus.

### ***Additional Information Regarding SEI***

For clients establishing an account through SEI, Woodward Financial Advisors will determine the initial allocation to be used by reviewing several model portfolios of proprietary mutual funds provided by SEI. These funds are managed by separate investment managers selected by SEI to meet specific style and allocation requirements. Each fund choice may be managed by several different managers in order to provide the broadest diversification while staying within the stated objective of the fund's investment strategy and style. Woodward Financial Advisors will determine, through discussions with the client, the optimum investment allocation necessary to achieve the particular client's goals. Woodward Financial Advisors, will, if appropriate, suggest modifications to these models to more adequately address the client's individual needs. The client may place reasonable restrictions on the nature of the funds held in the portfolio or the allocation among the various classes, and Woodward Financial Advisors will assist the client in understanding and evaluating the potential impact of these restrictions on the model portfolios.

Once the client's asset allocation has been established, the portfolio will be implemented using the mutual funds advised by SEI. SEI Investments Management Corporation selects the investment managers of the underlying mutual funds. SEI utilizes institutional investment management firms. The fund managers are monitored by SEI to ensure that their investment styles and performance remain consistent with the objectives of the mutual funds. It is SEI's sole responsibility to monitor the individual managers of their available funds and asset allocation portfolios to ensure consistency within the structure of each fund's objectives. SEI has full authority to add or delete a particular fund or asset class to their selected group of fund alternatives.

Accounts will be monitored quarterly, and, when appropriate, Woodward Financial Advisors will suggest a reallocation of the portfolio based on changing economic conditions or changes in the client's individual circumstances. These suggested reallocations will be implemented without prior notice to discretionary clients.

As economic or market changes occur, SEI will make a quarterly review of its model allocations and may recommend changes in these model allocations to Woodward Financial Advisors. SEI will automatically reallocate all client holdings in model portfolios unless instructed to do otherwise by Woodward Financial Advisors. If Woodward Financial Advisors does not contact SEI prior to the first Friday of the month following the end of each calendar quarter, SEI will take Woodward Financial Advisors' silence as a direction from Woodward Financial Advisors to make the recommended reallocations. SEI will not make any ongoing recommendations concerning portfolios which deviate from SEI's models ("custom portfolios"); Woodward Financial Advisors is responsible for all reviews and must instruct SEI to make any changes to such portfolios. Clients may also instruct SEI to automatically rebalance the client's account if the allocation among the underlying mutual funds deviates from the prescribed quarterly allocation by greater than a 2% variance.

For the tax-managed models, the variance is 3%. Rebalancing occurs monthly, with no transaction fees. Should the client's individual situation change, the client should notify Woodward Financial Advisors, who will assist the client in revising the current portfolio and/or reevaluate their financial situation to determine if a different model portfolio would be appropriate to the client's new situation.

#### **Termination of Agreements**

Woodward Financial Advisors or client may terminate an agreement for services at any time by providing written notice to the other party. If termination is effective within five days of signing the agreement for services, the client will not be penalized and will receive a full refund of any pre-paid fees within 15 days. If the termination notice is effective after the initial five-day period, the client will be required to pay for services already performed under the agreement, and if a refund is due to the client, Woodward Financial Advisors shall provide such refund within 15 days.

#### **Selection of Other Advisors**

Depending on a client's financial situation and individual needs, Woodward Financial Advisors' associated persons may refer clients to unaffiliated investment advisor who will then provide asset management services to the client. When the associated persons of Woodward Financial Advisors solicit for these other investment advisors, Woodward Financial Advisors and its associated persons do not receive any portion of the fee charged by the unaffiliated investment advisor. Woodward Financial Advisors does not receive any form of a solicitor or referral fee under this arrangement. The client will enter into a separate agreement with the unaffiliated investment advisor and may or may not continue to retain Woodward Financial Advisors for services outlined above.

#### **Seminars**

Woodward Financial Advisors occasionally offers financial planning and/or investment education seminars for groups sponsored by employers and educational institutions. Seminars are provided on an impersonal or generic basis and do not take into account participants' individualized situations and circumstances. These educational services are provided under a letter of understanding separate from Woodward Financial Advisors' other services described above. Fees are negotiable and generally include preparation and presentation time at hourly rates of \$250- -\$300.



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

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because Woodward Financial Advisors **does not charge or accept performance-based fees** which can be 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**

Woodward Financial Advisors generally provides investment advice to individuals, families, and trusts and estates. Advice may extend to entities related to the client such as small businesses and charitable organizations. Client relationships vary in scope and length of service.

All clients are required to execute an agreement for services in order to establish a client arrangement with Woodward Financial Advisors and/or the sponsor of third-party money manager platforms.

### **Minimum Investment Amounts Required**

The minimum annual fee for Wealth Management services is currently \$7,500.

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

### **Woodward Financial Advisors uses the following methods of analysis in formulating investment advice.**

***Cyclical*** - Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

***Fundamental*** - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

***Technical*** - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

**Woodward Financial Advisors uses the following investment strategies when managing client assets and/or providing investment advice.**

The primary investment strategy we use for client accounts is strategic asset allocation. We may use passively-managed index and exchange-traded funds when appropriate for the client and/or actively managed mutual funds. From time to time we hold individual stocks or bonds depending on the client circumstance. We do not actively buy individual stocks as part of our normal investment philosophy, although many clients transfer them into our firm from other places.

Portfolios are generally globally diversified to control the risk associated with the markets. We may also at other times recommend third-party money managers who have a greater expertise in certain disciplines when appropriate for the client.

The investment strategy for a specific client is based upon the objectives, risk tolerance, income needs and tax situation stated by the client during consultation. The client may change these objectives at any time. The client's goals and objectives are recorded during meetings and phone conferences. Each portfolio is constructed solely for that client. We do not use model portfolios and we do not use composites to illustrate results.

**Risk of Loss**

Investing in securities involves risk of loss that all clients should be prepared to bear. Our investment program keeps the risk of loss in mind. However, as with all investments, clients face investment risks including the following:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- 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, or common stock equivalents, 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.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put

and call options are highly specialized activities and entail greater than ordinary investment risks.

- ETF and Mutual Fund Risk – When our firm invests in a an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- 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 produce 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 integrity.

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

The firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure. The same is true for the firm's owner and investment advisor representatives.

Woodward Financial Advisors 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) insurance company or agency, (9) pension consultant, (10) real estate broker or dealer, or (11) sponsor or syndicator of limited partnerships.

#### **Selection of other Advisors**

Woodward Financial Advisors may refer clients to third-party investment advisors depending on each client's individual financial needs and circumstances.

Unlike many investment advisors that refer their clients to third-party advisors, when we refer clients to a third-party investment advisor, we will not receive a referral or solicitor fee from the third-party investment advisor. Nor will we receive any portion of the fee charged by the third-party investment advisor to the client. Therefore, our recommendations of third-party investment advisors are based solely on our evaluation criteria and each client's individual needs and not based on compensation we could receive.

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

### **Code of Ethics Summary**

Woodward Financial Advisors has established a Code of Ethics that applies to all of its employees as well as a Fiduciary Oath as outlined by the National Association of Personal Financial Advisors (NAPFA). The key points are: putting the clients' interest first, confidentiality, competence, fairness, prudence and caring. CFP® designees are also held to a Code of Ethics as outlined by the CFP® Board of Standards. Our Code of Ethics is also designed to comply with Rule 204A-1 under the *Investment Advisers Act of 1940*. As a fiduciary, it is an investment adviser'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. Woodward Financial Advisors requires all of its supervised persons 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 supervised persons sign an acknowledgement that they have read, understand and agree to comply with the firm's Code of Ethics. Woodward Financial Advisors has the responsibility to make sure that the interests of all clients are placed ahead of the firm and its supervised person's own investment interest. Woodward Financial Advisors and its supervised persons 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.

This information is provided to give all clients a summary of the firm's Code of Ethics. If a client or a potential client wishes to review Woodward Financial Advisors' Code of Ethics in its entirety, a copy will be provided upon request.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

Woodward Financial Advisors or its associated persons may at times buy or sell securities that are also held by clients. As this may present a conflict between our client's interests and the investment interests of our personnel, employees must comply with the provisions of the Woodward Financial Advisors, inc. "Policies and Procedures Manual" sections regarding personal securities transactions and holdings.

- Employees may not trade their own securities ahead of client trades.
- The Chief Compliance Officer of WFA is James R. Miller and he reviews all employee trades each quarter.
- The personal trading review ensures that the personal trading of employees was not based on inside information and that clients of the firm receive preferential treatment.
- It should be noted that our personal trades are not of a significant enough value to affect the securities market.

## **Item 12 - Brokerage Practices**

Clients are under no obligation to act on the recommendations of Woodward Financial Advisors' Financial Planning and Investment Consultations. Clients are free to choose any investment advisor, broker/dealer, insurance agent/broker, or other financial product or service vendor that the client desires for the implementation of any recommend actions. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible.

Woodward Financial Advisors, Inc. does not have any affiliation with product sales firms. Specific custodians recommended by WFA are made to clients based on their need for services. WFA recommends them based on proven integrity and financial responsibility, level of customer services, best execution of orders at reasonable prices and transaction fee rates.

When Woodward Financial Advisors assists in the implementation of any recommendations through its Wealth Management Services, Fidelity, TD Ameritrade, or SEI will be used as the custodian for client accounts. Woodward Financial Advisors does not receive fees or commissions from any of these custodians although WFA may benefit from electronic delivery of client information, electronic trading platforms and other services provided by custodians for the benefit of clients. These benefits are standard in a relationship with a custodian and are not in return for client recommendations. Clients should understand that not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow will manage their client accounts at broker/dealers selected by the client. However, for compliance and operational efficiencies, Woodward Financial Advisors has decided to require its clients to use broker/dealers and other qualified custodians determined by Woodward Financial Advisors.

Woodward Financial Advisors receives products and services from Fidelity and TD Ameritrade. Clients may pay commissions higher or lower than those obtainable from other broker/dealers in return for those products and services. Commission and fee structures of various broker/dealers are periodically reviewed to ensure clients are receiving best execution. Accordingly, while Woodward Financial Advisors will consider competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Therefore, the overall services provided by broker/dealers are evaluated to determine best execution.

While there is no direct linkage between the investment advice provided to clients and Woodward Financial Advisors' recommendation to use Fidelity or TD Ameritrade, benefits are received by Woodward Financial Advisors which would not be received if the firm did not give investment advice to clients. These benefits include: a dedicated trade desk that services the respective broker/dealer's participants exclusively, a dedicated service group and an account services manager dedicated to Woodward Financial Advisors' accounts, access to a real-time order matching system, access to hundreds of mutual funds in addition to those offered by Fidelity and TD Ameritrade, electronic download of trades, balances and position information, access to an electronic interface with the broker/dealer's software, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), and a quarterly newsletter. For accounts through Fidelity, Woodward Financial Advisors will have access to WealthCentral.com (internet access to statements, confirmations, and transfer of asset status) and client access to Account View. TD Ameritrade also offers similar online access. The benefits received through participation in the Fidelity program do not depend upon the amount of transactions directed to or amount of assets managed through Fidelity. Similarly, the benefits received through participation in the TD Ameritrade program do not depend upon the amount of transactions directed to or amount of assets managed through TD Ameritrade.

In order to be eligible for the SEI Management Program, clients are required to use SEI Financial Services, a registered broker dealer, for the placement of all trades. Therefore, Woodward Financial Advisors, through its recommendation of the SEI Management Program, is recommending SEI Financial Services as the broker/dealer to be used.

SEI Trust Company, a subsidiary of SEI Corporation, acts as the transfer agent and custodian for SEI Management Program accounts. Woodward Financial Advisors client accounts are required to be maintained at SEI Trust Company in order to participate in the SEI Management Program.

#### **Handling of Trade Errors.**

Woodward Financial Advisors 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 Woodward Financial Advisors 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 Woodward Financial Advisors if the error was caused by the firm. 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 the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. Woodward Financial Advisors may also confer with clients to determine if the client should forego the gain (e.g., due to tax reasons).

Woodward Financial Advisors will never benefit or profit from trade errors.

#### **Block Trading Policy**

Transactions implemented by Woodward Financial Advisors for client accounts are generally effected independently, unless the firm decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by the firm when Woodward Financial Advisors believes such action may prove advantageous to clients. When Woodward Financial Advisors aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When Woodward Financial Advisors determines to aggregate client orders for the purchase or sale of securities, including securities in which Woodward Financial Advisors may invest, the firm will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, Woodward Financial Advisors does not receive any additional compensation or remuneration as a result of aggregation.

### **Item 13 – Review of Accounts**

#### **Account Reviews and Reviewers**

For clients using our Wealth Management Services, Woodward Financial Advisors holds periodic conferences with clients, either in person or by telephone, annually or as frequently as circumstances warrant, reviewing progress towards financial goals, portfolio rebalancing, and investment changes. Woodward Financial Advisors conducts reviews considering client's objectives and asset allocation as stated in the client's Investment Policy Statement. Woodward Financial Advisors also reviews client accounts and financial plans periodically and when triggered by: changes in a client's financial or personal circumstances and/or investment objectives, request by a client, significant swings in market

conditions or economic activity, and pertinent changes in tax laws. Reviewers of client accounts may include any of the firm's associated persons, specifically James Miller and/or Benjamin Birken.

### **Statements and Reports**

No less than quarterly, clients will receive account statements from the qualified custodian at which their accounts are maintained. The custodian will also provide transaction confirmations and year-end tax statements.

Clients are at times provided with account statements, net worth statements, graphs and other reports generated from our portfolio accounting and financial planning software. Net worth statements include approximations of bank accounts, workplace retirement plans, real estate and other hard-to-price assets. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks. The book values of hard-to-price assets are reviewed whenever supplemental information related to their valuation is received from the client. Clients are urged to compare the statements they receive from us to those they receive from their qualified custodians.

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

Woodward Financial Advisors does not directly or indirectly compensate anybody for client referrals.

The only form of other compensation received from advisory services is the fees charged for providing investment advisory services as described in *Item 5* of this brochure. Woodward Financial Advisors receives no other forms of compensation in connection with providing investment advice.

### **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.

Woodward Financial Advisors is deemed to have custody of client funds and securities whenever Woodward Financial Advisors is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Woodward Financial Advisors will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Woodward Financial Advisors is deemed to have custody, the firm has established procedures to ensure all client funds and securities are held at a qualified custodian 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 Woodward Financial Advisors.** When clients have questions about their account statements, they should contact Woodward Financial Advisors or the qualified custodian preparing the statement.

### **Item 16 – Investment Discretion**

Woodward Financial Advisors, Inc. accepts discretionary authority to manage securities accounts on behalf of clients. Through its Wealth Management Service agreement WFA has the authority to determine without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Discretionary trading authority facilitates placing trades in clients' accounts on their behalf so that we may promptly implement the investment policy that they have approved.

Third party money managers have full discretion over trades and do not consult with Woodward Financial Advisors, Inc or with clients before placing trades.

Clients must also sign a limited power of attorney before Woodward Financial Advisors, Inc is given discretionary authority. The limited power of attorney is included in the qualified custodian's account application for our main custodians.

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

Woodward Financial Advisors will not vote proxies on behalf of your account. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in accounts managed by our firm, if you desire.

Clients will receive proxies directly from their custodian or transfer agent and such documents will not be delivered by our firm. 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 this brochure. Woodward Financial Advisors does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Woodward Financial Advisors has not been the subject of a bankruptcy petition at any time.



## Customer Privacy Policy Notice

As a client of Woodward Financial Advisors, you share personal and financial information with us. We treat this information as sacred and confidential. WFA is committed to maintaining the privacy, integrity and security of the personal information that is entrusted to us.

We do not disclose your personal and financial information to third parties unless we are requested by you to do so, or it is necessary to do so in order to:

- complete transactions and account servicing on your behalf,
- enable contracted service providers to perform administrative functions or technical support services for us, and
- satisfy requests required or permitted by law or regulatory authorities with jurisdiction over the firm.

We do not sell or rent information about current or former clients to any third parties.

Our employees read and sign an Acknowledgment regarding our Privacy Policy. We maintain a secure office and computer environment to ensure that your information is reasonably protected.

If you have questions about this Privacy Policy or about access to your personal and financial information, you are invited to call us at 919-929-2495.

*This Privacy Policy is intended to meet the provisions of the Gramm-Leach-Bliley Act of 1999. A copy is provided to prospective clients, and annually thereafter to continuing clients.*

## Information Required by Part 2B of Form ADV: *Brochure Supplement*

### **James R. Miller, Jr., President and Chief Compliance Officer**

#### ***Item 1 – Cover Page***

This brochure supplement provides information about James Miller that supplements the information previously provided in this brochure. Please contact us at 919-929-2495 if you have any questions about the contents of this supplement.

Additional information James Miller is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### ***Item 2 – Educational Background and Business Experience***

Born 1973

##### *Education:*

- University of Hartford, West Hartford, CT; BS in Business Administration, Major in Finance

Prior to purchasing Woodward Financial Advisors in 2009, Mr. Miller was a financial advisor with Tilson Financial Group from 2001-2009. Prior to that he was an associate with RegentAtlantic Capital from 1997-2001. He began his career as an analyst with Dow Jones and Co in 1996. The following is specific business background for preceding five years:

- President/Chief Compliance Officer, Woodward Financial Advisors, Inc., 07/2009 - Present
- Advisor Representative, Tilson Financial Group, 02/2001 – 06/2009
- Registered Representative, Cambridge Investment Research, Inc., 08/2005 – 06/2009
- Registered Representative, Walnut Street Securities, Inc., 08/2003 – 08/2005

#### ***Item 3 – Disciplinary Information***

Mr. Miller has never been subject to a legal or disciplinary event required to be reported by the Form ADV Part 2B – Brochure Supplement instructions.

#### ***Item 4 – No Other Business Activities***

Mr. Miller is not engaged in any business activities outside of his role with Woodward Financial Advisors.

#### ***Item 5 – Additional Compensation***

Mr. Miller does not receive compensation in addition to the fees described in *Item 5* of this Disclosure Brochure.

#### ***Item 6 – Supervision***

Mr. Miller is the Chief Compliance Officer of Woodward Financial Advisors and ultimately responsible for supervising activities and services provided by the firm including the services provided by Mr. Miller. Investment accounts and the advice provided are reviewed by Mr. Miller on an on-going basis. Mr. Miller can be contacted at 919-929-2495.

**Benjamin Birken, Financial Planner and Advisor Representative**

**Item 1 – Cover Page**

This brochure supplement provides information about Ben Birken that supplements the information previously provided in this brochure. Please contact us at 919-929-2495 if you have any questions about the contents of this supplement.

Additional information Ben Birken is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 – Educational Background and Business Experience**

Born 1977

Education:

- University of Colorado, Boulder: MS, Kinesiology & Applied Physiology
- University of California, Berkeley: BA, Human Biodynamics and History

Business Background for Preceding Five Years

- Financial Planner/Advisor Representative, Woodward Financial Advisors, Inc., 07/2009 - Present
- Financial Planner/Advisor Representative, Woodward Financial Advisors, LLC, 09/2008 – 06/2009
- Planning Associate, Woodward Financial Advisors, LLC, 09/2007 – 09/2008
- Research Coordinator, Center for Health Promotion and Disease Prevention, University of North Carolina, Chapel Hill, 2004 – 2007
- Teaching and Research Assistant, University of Colorado, Boulder, 2002 – 2004

**Item 3 – Disciplinary Information**

Mr. Birken has never been subject to a legal or disciplinary event required to be reported by the Form ADV Part 2B – Brochure Supplement instructions.

**Item 4 – No Other Business Activities**

Mr. Birken is not engaged in any business activities outside of his role with Woodward Financial Advisors.

**Item 5 – Additional Compensation**

Mr. Birken does not receive compensation in addition to the fees described in *Item 5* of this Disclosure Brochure.

**Item 6 – Supervision**

Jim Miller is the Chief Compliance Officer of Woodward Financial Advisors and ultimately responsible for supervising activities and services provided by the firm including the services provided by Mr. Birken. Investment accounts and the advice provided by Mr. Birken are reviewed by Mr. Miller on an on-going basis. Mr. Miller can be contacted at 919-929-2495.

**Kendra A. Hudson, Financial Planner and Advisor Representative**

***Item 1 – Cover Page***

This brochure supplement provides information about Kendra Hudson that supplements the information previously provided in this brochure. Please contact us at 919-929-2495 if you have any questions about the contents of this supplement.

Additional information Kendra Hudson is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

***Item 2 – Educational Background and Business Experience***

Born 1972

Education:

- Duke University, Bachelor of Arts

Business Background for Preceding Five Years

- Woodward Financial Advisors, Inc., Financial Planner, 07/2009 to Present and Investment Advisor Representative, 01/2013 to Present; and
- Precision Speed Metals, Sporting Goods Manufacturing, 10/2004 to 07/2009

***Item 3 – Disciplinary Information***

Ms. Hudson has never been subject to a legal or disciplinary event required to be reported by the Form ADV Part 2B – Brochure Supplement instructions.

***Item 4 – No Other Business Activities***

Ms. Hudson is not engaged in any business activities outside of her role with Woodward Financial Advisors.

***Item 5 – Additional Compensation***

Ms. Hudson does not receive compensation in addition to the fees described in *Item 5* of this Disclosure Brochure.

***Item 6 – Supervision***

Jim Miller is the Chief Compliance Officer of Woodward Financial Advisors and ultimately responsible for supervising activities and services provided by the firm including the services provided by Ms. Hudson. Investment accounts and the advice provided by Ms. Hudson are reviewed by Mr. Miller on an on-going basis. Mr. Miller can be contacted at 919-929-2495.

## **Joseph Marques, Financial Planner and Advisor Representative**

### **Item 1 – Cover Page**

This brochure supplement provides information about Joseph Marques that supplements the information previously provided in this brochure. Please contact us at 919-929-2495 if you have any questions about the contents of this supplement.

Additional information Joseph Marques is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Item 2 – Educational Background and Business Experience**

Born 1973

Education:

- Virginia-Tech, Aerospace Engineering, 1995

Business Background for Preceding Five Years

- Financial Planner/Advisor Representative, Woodward Financial Advisors, Inc., 03/2014 – Present;
- Register Representative, Wells Fargo Advisors, LLC, 07/2010 – 11/2013; and
- Assistant Planner, Blue Ridge Planning Services, 01/2007 – 06/2010

### **Item 3 – Disciplinary Information**

Mr. Marques has never been subject to a legal or disciplinary event required to be reported by the Form ADV Part 2B – Brochure Supplement instructions.

### **Item 4 – No Other Business Activities**

Mr. Marques is not engaged in any business activities outside of his role with Woodward Financial Advisors that take more than 10% of his time or account for more than 10% of his income.

### **Item 5 – Additional Compensation**

Mr. Marques does not receive compensation in addition to the fees described in *Item 5* of this Disclosure Brochure.

### **Item 6 – Supervision**

Jim Miller is the Chief Compliance Officer of Woodward Financial Advisors and ultimately responsible for supervising activities and services provided by the firm including the services provided by Mr. Marques. Investment accounts and the advice provided by Mr. Marques are reviewed by Mr. Miller on an on-going basis. Mr. Miller can be contacted at 919-929-2495.