



**Pettinga Financial Advisors, LLC**  
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## Firm Brochure - August 31, 2014

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This Firm Brochure provides information about the qualifications and business practices of Pettinga Financial Advisors, LLC (Pettinga). If you have any questions about the contents of this Firm Brochure, please contact our Chief Compliance Officer, Tonya F. Borders, at 812-436-4000. The information in this Firm Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Pettinga is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training.

Additional information about Pettinga is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by firm name or by a unique identifying number, known as a CRD number. The CRD number for Pettinga is 156369.

## **Item 2 – Material Changes**

The following is a summary of the material changes made to this Firm Brochure since it was last updated:

- There have been no material changes made to this Firm Brochure dated August 31, 2014 from its immediate predecessor dated March 31, 2014.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business' fiscal year. Our fiscal year ends on December 31.

Pettinga's Firm Brochure may be requested at any time by contacting our Chief Compliance Officer, Tonya F. Borders, at 812-436-4000. There is no charge for this document.

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

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## **Item 4 – Advisory Business**

Pettinga is an investment advisor registered with the SEC and is a successor to Pettinga Financial Advisors, Inc., which was first registered with the SEC in 1994. Pettinga succeeded to the business of Pettinga Financial Advisors, Inc. on December 31, 2010.

### **Financial Planning:**

The objective of our financial planning engagement is to review and analyze a client's personal financial situation, prepare a comprehensive financial planning report, and make recommendations for implementing the financial plan. Our analysis and recommendations are based on information provided by the client.

The initial phase of our financial planning process involves accumulating and organizing facts about a client's financial status, identifying specific goals and objectives, and agreeing upon planning assumptions. The typical areas of discussion include but are not limited to retirement planning, estate planning, life insurance planning, college funding, and investment allocation analysis. After information is received, the data is analyzed and projections are made. We then meet with the client to review their comprehensive financial planning report which contains recommendations in all relevant areas of their financial situation. If necessary, the report is amended to reflect changes or alternative courses of action.

The methods a client chooses for implementing their financial planning recommendations are at their discretion. Clients are responsible for all decisions regarding implementation of the recommendations. Pettinga is available to assist clients with implementation of their chosen strategies or to coordinate implementation with other financial professionals of the clients choosing.

### **Investment Management:**

Pettinga provides independent, fee-only investment management to its clients. Each client's assets are allocated among various asset classes based on the client's individual investment goals, tolerance for risk, and long-term investment return objectives.

Client accounts are typically invested in no-load mutual funds and exchange traded funds. Other investment types, such as limited partnerships, covered calls, investment grade fixed income securities, or independent money managers, may be used if the advisor and client agree it is an appropriate strategy for the client. Pettinga does not regularly recommend individual stocks but may give opinions and execute transactions for clients on certain individual securities the client desires.

### **Client Assets Managed by Pettinga:**

Pettinga managed \$679,792,047 in client assets as of December 31, 2013 of which \$664,263,569 was discretionary and \$15,528,478 was non-discretionary.

### **Additional Practices**

Maintaining our client's trust and confidence is among our highest priorities. Thus, Pettinga has adopted a Privacy Policy, which details Pettinga's commitment to protecting nonpublic personal client information. Pettinga does not disclose nonpublic personal client information with affiliates or other parties unless authorized by the client to do so or required by law.

Pettinga has developed a Business Continuity Plan which contains procedures to launch a timely recovery from a disaster. The objective of these procedures is to minimize the impact of a disaster to the firm, its employees, clients and vendors. The Business Continuity Plan is reviewed and updated at least annually, and is tested at least every other year.

Pettinga strives to instill and maintain a culture of compliance throughout the firm. Compliance Policies and Procedures have been developed and implemented as part of the firm's overall compliance program. These policies and procedures include but are not limited to the following: Trading, Valuation of Securities, Principal Transactions, Personal Securities Transactions, Investment Processes, Insider Trading, Custody, Anti-Money Laundering, Identity Theft Prevention and Advertising. All employees must annually attend compliance training as well as acknowledge adherence to Pettinga's Compliance Policies and Procedures. The Chief Compliance Officer is responsible for conducting an annual review of Pettinga's compliance program and the annual compliance training.

### **Item 5 – Fees and Compensation**

#### **Financial Planning Fees:**

Financial planning fees are quoted on a project basis. Some clients will pay no fee for financial planning services, and others will pay a fee separate from and in addition to their investment management fee. For those clients who are charged a separate financial planning fee, the fee is fully disclosed in the client's financial planning engagement letter and the client is invoiced for the full amount upon delivery of their comprehensive financial planning report.

Additional fees may be incurred if Pettinga is engaged by the client to assist with implementation of the financial planning recommendations. These additional fees will be agreed upon by Pettinga and the client, and they will be based upon the scope of the project.

#### **Investment Management Fees:**

Investment management fees are typically in the form of a percentage of assets for which Pettinga has responsibility. Currently, fees are charged according to the following schedule:

|       |                  |       |
|-------|------------------|-------|
| First | \$1,000,000..... | 1.50% |
| Next  | \$2,000,000..... | 1.00% |
| Next  | \$2,000,000..... | 0.80% |
| Over  | \$5,000,000..... | 0.60% |

In certain circumstances, Pettinga may elect to charge a flat fee. Each client's specific fee schedule is identified in the written agreement between Pettinga and the client.

Although Pettinga has established the aforementioned fee schedule, we retain the discretion to negotiate an alternative fee on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, and account composition, among other factors.

Clients are billed in arrears each calendar quarter, and they may elect to be invoiced or may authorize Pettinga to directly debit fees from their accounts. Regardless, we strongly recommend that all clients verify the accuracy of their fee calculation by reviewing their custodian statement(s). At times, related client accounts may be grouped together for purposes of calculating the fee. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of an account, all earned but unpaid fees will be due and payable.

Pettinga's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisors and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Pettinga's fee, and Pettinga shall not receive any portion of these commissions, fees, and costs.

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

Pettinga does not charge or accept any 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**

Pettinga provides services to individuals, trusts, estates, pension and profit sharing plans, charitable organizations and foundations, and businesses.

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

### **Methods of Analysis & Investment Strategies:**

Each of Pettinga's client portfolios represents that client's investment goals, objectives, and tolerance for risk. An asset allocation, which sets forth the appropriate ratio of equities, fixed income and alternatives, is agreed upon for each client.

Pettinga primarily recommends no-load mutual funds and exchange traded funds to its clients. We look at the experience and track record of the manager of the mutual fund or exchange traded fund in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or exchange traded fund in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the mutual funds and exchange traded funds in an attempt to determine if they are continuing to follow their stated investment strategy. Pettinga utilizes various products to aid in this analysis.

Other investment types, such as limited partnerships, covered calls, investment grade fixed income securities, or independent money managers, may be used if the advisor and client agree it is an appropriate strategy for the client.

Pettinga does not regularly recommend individual stocks but may give opinions and execute transactions for clients on certain individual securities that a client desires. Pettinga may also work with clients to diversify them out of concentrated positions of an individual stock.

### **Risk of Loss:**

Investing in securities involves risk of loss that clients should be prepared to bear. Different investments involve varying types and varying degrees of risk.

All investments present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even if the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

Clients should not assume that future performance of any specific investment, including those recommended or undertaken by Pettinga, will be profitable or equal specific performance levels.

## **Item 9 – Disciplinary Information**

As a registered investment advisor, Pettinga is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of our business or the integrity of our management personnel. Both Pettinga and its management personnel have no reportable legal or disciplinary events to disclose.

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

Pettinga is part of the Focus Financial Partners, LLC (Focus) network. As such, Pettinga is a wholly-owned subsidiary of Focus Operating, LLC, which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisors, broker-dealers, pension consultants, insurance firms, and other financial services firms (Focus Partners). Focus Partners provide wealth management, and benefit and investment consulting services, serving individuals, families, employers and institutions. Some Focus Partners also manage or advise limited partnerships, private funds or limited liability companies as disclosed on their respective Form ADV Schedule Ds. A list of the Focus Partners can be found on Pettinga's Form ADV Part 1 Schedule D.

Pettinga's clients are not solicited to invest in any other Focus Partners' advisory services, and generally Focus Partners do not recommend securities, services, or other investment products of other Focus Partner firms, unless so disclosed on their respective Form ADVs and with the clients' informed consent, nor are any transactions executed through another Focus Partners' affiliated broker-dealer. Further, the Focus Partners do not market their services or share client information amongst each other without prior client consent. Management personnel of other Focus Partners are not involved in the management of Pettinga.

A list of the related person investment advisors and broker-dealers can be found on Pettinga's ADV Part 1, Schedule D and additional information about Focus can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

## **Item 11 – Code of Ethics**

Pettinga has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Pettinga's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth Pettinga's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with Pettinga may buy or sell securities for their personal accounts identical to or different from those recommended to clients. It is the expressed policy of Pettinga that no person employed by the firm shall prefer his or her own interest to that of a client or make personal investment decisions based on investment decisions of clients.

Pettinga employees may buy or sell securities that the firm recommends to clients. However, the firm has a strict policy against entering into transactions that might pose a conflict of interest between employees and clients. Investment accounts of Pettinga employees are reviewed quarterly by the Chief Compliance Officer to ensure adherence to this policy. In addition, all trading activity of both clients and Pettinga personnel are reviewed regularly for possible conflicts of interest.

Pettinga's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. Pettinga requires that



all employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any employee not in observance of the above may be subject to discipline or termination.

Pettinga is happy to provide a complete copy of its Code of Ethics to any client or prospective client upon request.

## **Item 12 – Brokerage Practices**

Pettinga does not require clients to use a particular custodian, however Pettinga generally suggests clients utilize Charles Schwab Institutional (Schwab) or Fidelity Investment Advisor Group (Fidelity). These recommendations are based upon quality execution and the well established back office operational platforms both of these firms have developed for independent investment advisory firms, like Pettinga, to manage client assets effectively and efficiently. Pettinga receives no direct compensation for suggesting clients utilize these custodians.

Schwab and Fidelity make available software and other technologies that provide access to client account data, such as trade confirmations and account statements, facilitate trade execution, provide pricing information and other market data, facilitate payment of Pettinga's fees from client accounts, and assist with back office support, recordkeeping and client reports.

Clients of Pettinga pay Schwab and Fidelity commissions and/or transaction fees, as is customary, when stocks, bonds, mutual funds, exchange traded funds, etc. are bought or sold through Schwab or Fidelity. Clients of Pettinga do not "pay up" for these services, as Pettinga does not accept soft dollar payments from broker-dealers or third-parties. Many transactions, however, are performed using no-load (non-commissioned) mutual funds which carry no transaction fee. Based upon Schwab's and Fidelity's strong trade execution history and Pettinga's desire to execute trades in the most efficient manner for clients, Pettinga, in general, does not seek additional quotes for stock or bond transactions in addition to quotes supplied by Schwab or Fidelity (the executing broker).

Some clients, upon establishing a relationship with Pettinga, already have a relationship with a broker and instruct Pettinga to execute transactions through that broker. In the event that a client directs Pettinga to use a particular broker or dealer, it should be understood that under those circumstances Pettinga will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved.

It is the policy of Pettinga to not aggregate client trades with those of another client due to their individual nature. In addition, it is Pettinga's policy to not aggregate transactions for a proprietary or employee account with client transactions.

If a trade is submitted erroneously at Schwab or Fidelity, a correcting trade may be placed on behalf of the client. Clients are not responsible for any errors that result in a loss to the client.

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 have received the gain, or if it is not permissible for the client to retain the gain, or Pettinga confers with the client and the client decides to forego the gain (e.g. due to tax reasons).

### **Item 13 – Review of Accounts**

Reviews with clients are conducted on a regular, typically quarterly, basis. Some clients choose to meet personally; others choose to meet via teleconference.

In preparation for client meetings, a performance report is prepared utilizing software Pettinga has purchased. This report is provided to the client. On a macro level, the client's portfolio asset allocation is reviewed to be certain overall investment objectives are being adhered to. In other words, we make certain that the client continues to hold a portfolio with a makeup of bonds, stocks, cash, real estate, alternatives, etc. that matches that client's investment goals, objectives and risk tolerance. Individual holdings and investment performance are also reviewed.

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

Pettinga does not have any referral compensation arrangements.

As indicated under the disclosure for Item 12, Schwab and Fidelity each respectively provide Pettinga with access to products and services, which are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge to them. These services provide a benefit to Pettinga but may not benefit client accounts.

In addition to those products and services mentioned in Item 12, Schwab and Fidelity may also provide other services intended to further Pettinga's business enterprise. These may include consulting, publications, and presentations on practice management, information technology, business succession, regulatory compliance and marketing.

The benefits received through participation in both the Schwab and Fidelity programs do not depend upon the number of transactions directed to or amount of assets custodied by the particular custodian.

### **Item 15 – Custody**

Pettinga does not have custody of client cash or securities; all client cash and securities are held with an independent, qualified custodian. Clients receive at least quarterly statements from the custodian that holds and maintains their investment assets.

Pettinga urges its clients to carefully compare official custodial records to the reports which may be provided by Pettinga. Pettinga's reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients are urged to contact Pettinga's Chief Compliance Officer, Tonya F. Borders, at 812-436-4000 to discuss any discrepancies noted.

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

Pettinga's investment management services are primarily provided on a discretionary basis. In these cases, Pettinga has the authority to place trades, i.e. determine the securities and amount of the securities to be bought or sold in a client's account, without obtaining client consent prior to the transaction.

For a minority of clients, investment management services are provided on a non-discretionary basis. In these cases, client consent must be obtained prior to each transaction. For some clients, trades are placed by Pettinga. For other clients, trades are placed directly by the client.

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

Pettinga's policy is to not vote proxies for clients. Thus, clients will receive applicable proxies directly from the issuer of securities held in their investment portfolios.

### **Item 18 – Financial Information**

As a registered investment advisor, Pettinga is required to provide certain financial information or disclosures about Pettinga's financial condition. Pettinga 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.