

## **New ADV, Part 2**

### **Advanced Financial Strategists, Inc.**

2055 North Brown Road, Suite 130

Lawrenceville, GA 30043

770-277-2770 (phone)

800-801-7382 (toll free)

770-277-0712 (fax)

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

1/1/11

This brochure provides information about the qualifications and business practices of Advanced Financial Strategists, Inc. ("AFS") and its key personnel. If you have any questions about the contents of this brochure, please contact us at 770-277-2770 and/or [www.advancedfinancial.com](http://www.advancedfinancial.com). Neither the United States Securities and Exchange Commission, nor any state securities authority approves or verifies the information in this brochure.

AFS is an Investment Adviser, registered under the securities laws of the state of Georgia. Registration of an Investment Adviser does not imply any level of approved skill or training, nor does it imply approval of AFS' business.

Find additional information about Advanced Financial Strategists, Inc. on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On July 28, 2010, the Securities and Exchange Commission published “Amendments to Form ADV” which require us to amend the disclosure document that we provide to clients. This Brochure dated 1/1/11 is our new disclosure document, prepared according to the SEC’s new requirements and rules. As such, this Brochure is materially different in structure, and requires certain new information that our previous brochure did not.

In the past we have offered or delivered information about our qualifications and business practices to our clients on, at least, an annual basis. Pursuant to new SEC rules, you will receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year.

In the future, this Item will discuss only specific material changes that we make to our Brochure and provide to our clients. We will also reference the date of our last annual update of our brochure.

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

### **Item 3 - Table of Contents**

<b>Item 1</b> - Cover Page.....	Cover Page
<b>Item 2</b> - Material Changes.....	1
<b>Item 3</b> - Table of Contents.....	2
<b>Item 4</b> - Advisory Business.....	3
<b>Item 5</b> - Fees and Compensation.....	4-5
<b>Item 6</b> - Performance-Based Fees and Side-By-Side Management.....	5
<b>Item 7</b> - Types of Clients.....	5
<b>Item 8</b> - Methods of Analysis, Investment Strategies and Risk of Loss.....	6
<b>Item 9</b> - Disciplinary Information.....	6
<b>Item 10</b> - Other Financial Industry Activities and Affiliations.....	7
<b>Item 11</b> - Code of Ethics, Participation or Interest in Client Transactions..... and Personal Trading	7-8
<b>Item 12</b> - Brokerage Practices.....	8-10
<b>Item 13</b> - Review of Accounts.....	10
<b>Item 14</b> - Client Referrals and Other Compensation.....	11
<b>Item 15</b> – Custody.....	11
<b>Item 16</b> - Investment Discretion.....	12
<b>Item 17</b> - Voting Client Securities.....	12
<b>Item 18</b> - Financial Information.....	12
<b>Item 19</b> - Requirements for State-Registered Advisers.....	13
<b>Item 20</b> – Index.....	14

#### **Item 4 - Advisory Business**

**A.** Advanced Financial Strategists, Inc. (“AFS”) is a Registered Investment Advisor. We began operations in 1991, and our principal owner is John D. Holden, CPA / PFS, AIFA®.

**B.** Our advisory business involves two components: comprehensive **investment management services** and **financial planning** for individuals, closely-held corporations, business entities, trusts and estates; and **back-office support services** for CPA firms that provide investment management services for their clients.

Investment management services may include: analyzing existing assets, including allocation among asset classes; suggesting changes in the allocation of assets, and rebalancing those assets on an as-needed basis; selecting specific investments in equities, ETFs, fixed income instruments, and/or mutual funds; selecting other portfolio managers or investment advisers to help you achieve your stated goals and objectives.

Financial planning services normally include: Retirement Planning, Portfolio Design, Tax Planning, Estate Planning and Insurance Evaluation and Planning.

Finally, we provide back-office support services for certain investment advisers and CPA firms. Services include proprietary research; quarterly billing preparation and mailing; investment research and selection; portfolio monitoring (tracking and reporting investment results, cost basis tracking, realized and unrealized gains / losses reporting); marketing materials; and licensing assistance.

**C.** We tailor our advisory services to the individual needs of our clients, depending upon their investment objectives and risk tolerance. You may freely choose to invest in a variety of securities, or you may choose to restrict your investment in certain securities. Once initial portfolio investments are implemented, we review your portfolio on an ongoing basis to ensure that portfolio construction meets your investment goals and objectives. We strive to personally meet with all our clients on an annual basis, and engage in an “open-door” communication policy with you to fully understand and implement your investment goals.

**D.** We do not participate in “wrap fee” programs.

**E.** As of 12/31/10, we managed our clients’ assets on a discretionary basis, as follows:

Discretionary basis	\$ 99,170,857
<u>Non-Discretionary basis</u>	<u>\$ 0</u>
Total Assets under Management	\$ 99,170,857

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

**A.** We receive compensation for our advisory services through fees we bill to our clients. We also receive fees from back-office support services we offer certain advisers and CPA firms. Under certain circumstances, fees may be negotiable.

We are not licensed to accept commissions from the sale of securities or “load” mutual funds.

### **Portfolio Management Fees**

Individual clients agree to management fees when they sign our Investment Advisory Agreement. Fees are calculated as a percentage of client assets under management. This is our annual fee schedule:

First \$500,000 of assets under management	1.00%
Next \$500,000 of assets under management	.75%
Balances over \$1,000,000	.50%

### **Comprehensive Financial Planning Fees**

Our hourly planning fees range from \$200.00 to \$300.00 per hour, billed upon completion and presentation of the plan.

### **Fees from Back-Office Support Services**

We provide back-office support services to certain investment advisers and CPA firms, for the benefit of their clients, and receive a percentage of their client fees for those services. The fees we collect vary depending upon the size and circumstances of the adviser’s business. For example, if we trade on the client’s behalf, we would receive a higher percentage fee from the adviser.

You may elect to have your fees deducted from your custodial account or billed by us directly – either method occurs on a quarterly basis, in arrears.

**B.** You may be charged management fees and expenses by mutual funds, custodians, brokers or other third-party consultants. You will also incur transaction and brokerage costs for most securities transactions. All of these fees are separate and distinct from our management fees, and we do not receive any of these “outside” fees. Please refer to **Item 12 - Brokerage**, in this Brochure for additional information on brokerage costs.

**C.** We do not require that you pay your fees in advance. Since either party may terminate the Investment Advisory Agreement in writing, we will refund any

## **Item 5 - Fees and Compensation (continued)**

paid, but unearned fees. This is how we calculate pro-rated refunds: 1) we divide the number of client “invested” days in the quarter by the total number of days in that quarter and obtain a percentage; 2) we multiply that percentage by an amount that would represent that quarter’s total billing amount, so that 3) the result equals the pro-rated fee for that quarter.

**D.** We do not accept compensation for the sale of securities or other investment products.

**E.1.** We recommend “no-load” mutual funds to our clients.

**E.2.** You have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

**E.3.** We do not generate revenue from commissions generated from the sale of investment products.

**E.4.** We do not charge commissions or markups.

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

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

## **Item 7 - Types of Clients**

We provide fee-only advisory services for two types of clients:

- Comprehensive investment management services and financial planning for individuals, high net-worth individuals, closely-held corporations and business entities, trusts and estates; and
- Back-office support services for investment advisers and CPA firms that provide investment management services for their clients.

We do not impose a minimum account size requirement.

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

**A.** We use several methods of analysis and investment strategies in formulating investment advice for our clients. This includes “buy and hold” strategy, long- and short-term equity purchases, and technical allocation shifts. If a client requests so, we will use margin transactions. We blend a group of major indices together to form “Efficient Frontier” recommendations based on Modern Portfolio Theory – in other words, we identify holdings that offer you the best potential returns with the least amount of risk.

We use industry-leading software to screen active fund managers, processing extensive raw data for style analysis. This evaluation helps ensure that identified managers represent the targeted index. Additionally, we set tolerances for portfolio weightings to allow for market fluctuation, without generating taxable events for our clients based on short-term market movements. Clients should recognize that investing in securities involves a risk of loss that they should be prepared to bear.

**B.** We believe that successful long-term risk/return results can be achieved with our strategies. We employ quantitative and qualitative criteria, identifying investments that offer an ideal combination of performance, risk and expense. This approach offers you certain advantages, such as: (1) broad exposure to equities across the investment spectrum; (2) appropriate sector weightings in an effort to add value; and (3) suitable use of fixed income investments. Risks include material loss of principal resulting from poor fund performance.

Individual equity holdings allow you to better manage the tax implications of long-term investing. Our stock screening process focuses on (1) the company’s financial health; (2) management’s use of excess capital (free cash flow); and (3) the company’s (or industry’s) growth prospects. Individual stocks, however, are not suitable for all investors. They often carry more risk and the potential for greater volatility than mutual funds.

**C.** We recommend a variety of equities, ETFs, fixed income instruments, and/or mutual funds that do not involve significant or unusual risks.

## **Item 9 - Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of AFS or the integrity of our management. There have been no legal or material disciplinary actions brought against AFS through the date of this report. Any such future legal or material disciplinary actions will immediately be communicated to all AFS clients.

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

- A. We are not registered nor do we have applications pending to register as a broker-dealer or registered representative of a broker-dealer. We do not accept commissions from the sale of securities.
- B. We are not registered nor do we have applications pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor or associated person of the foregoing entities. We do not accept commissions from the sale of commodities.
- C. As previously described in **Item 5 – Fees and Compensation** and **Item 7 – Types of Clients** in this Brochure, we provide back-office support services to the following Registered Investment Advisers and CPA firms. As compensation for those services, we receive a percentage of the advisers' client fees. The following advisers are neither general partners nor officers in any partnership or company in which we solicit our clients to invest. Therefore, we believe that our relationship with these advisers does not create a material conflict of interest for our clients:

### **HCBH Investment Advisors, Inc.**

PO Box 668  
Blakely, GA 39823

### **LePew Financial Services, Inc.**

452 Lakeshore Parkway, Suite 115  
Rock Hill, SC 29730-4291

### **Rozar Financial Concepts, LLC**

2250 Satellite Boulevard, Suite 165  
Duluth, GA 30097-4919

### **AFS Advisors, LLC**

2055 North Brown Road, Suite 130  
Lawrenceville, GA 30043

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

- A. AFS abides by a written Code of Ethics that applies to all our supervised persons. We have a duty to establish high standards of conduct for our personnel, to protect our clients' nonpublic personal and financial information from misuse, and to require our employees to report their personal securities transactions.



## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading (continued)**

Given our overarching fiduciary duty to our clients, we will conduct our business in a manner that supports our commitment of complete loyalty to our clients. We will also adhere to all federal and state securities laws and regulations.

Recognizing that all client information is confidential, we maintain physical, electronic, and procedural safeguards that comply with federal standards to safeguard this information and prevent its misuse.

With respect to personal trading, we require our employees and Investment Adviser Representatives to provide detailed securities holding and transaction reports on a regular basis. In addition, our employees are prohibited from trading in “restricted securities” or executing transactions that provide them with pricing advantages compared to our clients’ securities transactions. Our Chief Compliance Officer reviews all employee trading records on a regular basis to ensure compliance with our Code of Ethics and Personal Securities Transactions Policy.

Please contact our office at 770-277-2770 for a copy of our **Code of Ethics**.

**B.** We do not recommend to our clients any securities in which we have a material financial interest.

**C.** We, for our personal and/or “family” accounts, may invest in the same securities as those we recommend to our clients. We base our trading decisions on prevailing market conditions and individual investment objectives. Since we are not market makers in any type of security, we do not consider this practice to be a conflict of interest for our clients.

**D.** We may buy and/or sell certain securities for our clients at or about the same time as we transact in those same securities for our own accounts. We prohibit our employees from knowingly timing their transactions in order to benefit from better pricing. Our Chief Compliance Officer reviews all employee trading records on a regular basis to ensure compliance with our Code of Ethics and our Personal Securities Transactions Policy.

## **Item 12 - Brokerage Practices**

### **A. Brokerage Selection Process**

We have discretion to choose brokerage services for our clients, based on factors other than commission rates. You may not pay the lowest available brokerage commission rate if we determine that such a rate does not represent the value of

## **Item 12 - Brokerage Practices (continued)**

the related brokerage and its research services. Annually, we examine our business relationships with broker dealers, and research competitor services to determine which arrangements should be continued, deleted or added. We consider the following factors when selecting an executing broker dealer:

- Quality of overall execution services;
- Speed of execution;
- Dedicated telephone lines and hours of operation;
- Dedicated representative or team;
- Creditworthiness, financial condition and business reputation;
- Research (if any) provided;
- Promptness and accuracy of oral, hard copy and electronic reports of execution;
- Ability and willingness to correct trade errors;
- Promptness and accuracy of confirmation statements;
- Ability to access various market centers;
- Facilities, including any software or hardware provided to the adviser;
- Commission charged;
- Historical commission rates;
- Reliability;
- Ability to use Electronic Communication Networks to gain liquidity, price improvement, lower commission rates and anonymity;
- Execution and operational capabilities of its clearing firm(s);
- Regulatory deficiencies (if any).

### **Suggested Brokers**

We participate in the institutional brokerage program at Charles Schwab (“Schwab”), which is a FINRA-registered broker dealer. We recommend Schwab to those clients who need custodial brokerage services. For our participation in this program, we receive certain non-financial benefits over and above execution of transactions.

### **“Soft Dollar” Benefits**

The products and services that we receive other than execution help to serve all our accounts, and are called “soft dollar benefits.” They include: duplicate client confirmations and bundled duplicate statements; access to a trading desk and customer service department that serve advisor participants exclusively; access to an aggregate trading platform; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communication network for client order entry and account information; compliance publications; in-person and web-based educational seminars; and access to mutual funds which otherwise require significantly higher minimum initial investments or are generally available only to institutional investors.

## **Item 12 - Brokerage Practices (continued)**

Schwab also provides consulting services, publications, and presentations on practice management, information technology, business succession, and marketing. Schwab may arrange for, discount, waive and /or pay for these services if the services are provided by independent third-parties.

Soft Dollar benefits do not necessarily depend upon the proportion of transactions or assets in custody we direct to Schwab.

### **Brokerage for Client Referrals**

We do not consider, in selecting or recommending broker-dealers, whether we receive referrals from them or their related third parties.

### **B. Aggregate Trading**

Sometimes we execute a particular transaction on a larger, aggregate basis so that our clients receive uniform pricing on it. We do this for convenience, with no harm to our clients. We continually monitor the financial markets, and will make aggregate trading decisions on a case-by-case basis.

## **Item 13 - Review of Accounts**

A. We review client accounts on a quarterly basis. The level of the review depends upon the client's financial situation, and takes into account the current economic and investment climate, the need for account rebalancing, tax considerations and the client's overall investment goals.

These are the AFS personnel who review client accounts:

<b>Reviewer</b>	<b>Title</b>
John D Holden, CPA/PFS, AIFA®	President

B. We provide written quarterly investment reports to our clients. These reports contain portfolio positions, time-weighted returns, realized and unrealized gains and losses, and detailed transaction reports. We also send quarterly fee statements to our clients along with these investment reports. Clients receive monthly statements from their custodian.

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

We do not directly or indirectly compensate any person for client referrals.

## **Item 15 - Custody**

Recent changes to SEC rules now define “custody” as an investment adviser’s ability to deduct advisory fees from its clients’ accounts. Under this narrow definition, we are deemed to have custody of client assets. However, all our client funds and securities are held at an independent qualified custodian (Charles Schwab). In the normal course of business, we do not maintain possession or custody of client funds and/or securities.

We rely on our clients’ custodian to send monthly account statements directly to our clients. These statements show that client-approved advisory fees are deducted directly from the clients’ accounts on a quarterly basis.

We send quarterly statements to our clients, as described above in **Item 13 – Review of Accounts**. Clients can compare the statements they receive from Charles Schwab to those we send them, and reconcile the security positions and values in their investment accounts. Our statements include the following recommendation:

**We encourage you to review the attached quarterly statement and compare it to the monthly statement you receive directly from your independent custodian. If you have any questions, please do not hesitate to call our office.**

All AFS clients are able to access their investment accounts on-line at [www.SchwabAlliance.com](http://www.SchwabAlliance.com). Clients create their own passwords on this website. In accordance with our Code of Ethics, we do not have access to clients’ online account statements, nor do we ever request client account passwords.

## **Item 16 - Investment Discretion**

We manage our client accounts on a discretionary basis.

Discretionary authority means that we identify securities to be bought and sold, allocate and rebalance assets, determine the amount of such transactions, and negotiate commission rates for these transactions. We exercise this discretion so that it is consistent with your investment objectives.

Prior to exercising our discretionary authority over your accounts, we obtain your written approval via an ***Investment Advisory Agreement*** and ***Limited Power of Attorney***.

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

A. As a matter of firm policy and practice, we do not accept authority to vote client securities. You may obtain a copy of our **Proxy Voting, Tender Offer & Class Action Policies** by calling our office at 770-277-2770.

B. You will generally receive proxies and other solicitations directly from your custodians and/or transfer agents. You are responsible for voting those proxies. If you have questions about a particular solicitation, please call our office at 770-277-2770.

## **Item 18 – Financial Information**

We are required to provide you with certain financial information or disclosures.

A. We do not require or solicit pre-payment of more than \$1,200 in fees per client, six months or more in advance.

B. We hold no financial conditions that would impair our ability to meet contractual commitments to our clients.

C. We have not been the subject of a bankruptcy petition at any time during the past ten years.

## **Item 19 – Requirements for State-Registered Advisers**

### **A. Executive Officer's Education and Business Background**

<b>Officer</b>	<b>Post-Secondary Education and Professional Designations</b>	<b>Role at AFS / Other Business Background</b>
John D. Holden, CPA/PFS, AIFA®	BBA – Accounting, Georgia State University, 1980  CPA – 1989  PFS – 1993  AIFA® - 2008	President of AFS January 1992 – present

### **Key to Professional Designations**

<b>Designation</b>		<b>Authorized By...</b>
CPA	Certified Public Accountant	American Institute of Certified Public Accountants (AICPA)
PFS	Personal Financial Specialist	American Institute of Certified Public Accountants (AICPA)
AIFA®	Accredited Investment Fiduciary Analyst	Center for Fiduciary Studies (fi360) *

\*The Center for Fiduciary Studies owns the mark AIFA®, which it awards to individuals who successfully complete initial and ongoing accreditation requirements.

**B.** Our sole business is investment advisory services.

**C.** We receive no compensation from performance-based fees.

**D.** No one at AFS has been involved in the following investment-related events: 1) liability as a result of an arbitration claim alleging damages in excess of \$2500 or 2) liability as a result of a civil, self-regulatory organization, or administrative proceeding.

**E.** No one at AFS maintains a relationship with any issuer of securities.

## Form ADV, Part 2 – Index

<b>Topic</b>	<b>Page(s)</b>
Assets under Management	3, 4
Best Execution	8-10
Billing and Client Statements	3, 4-5, 10, 11
Brokerage, Broker-Dealer	4, 7, 8-10
Code of Ethics	7-8, 11
Commissions	4-5, 7, 9, 12
Compensation (see <b>Fees</b> below)	---
Compliance	8, 9
Conflicts of Interest	7-8
Custody, Custodial Services	4-5, 8-10, 11, 12
Disciplinary actions	6, 13
Disclosures	1, 6, 12
Equities	3, 4-5, 6, 12, 13
ETFs	3, 4, 6
Fees	4-5, 7, 10, 11, 12
Financial Planning	3, 4, 5
Fixed Income	3, 6
Holden, John D., CPA/PFS, AIFA®	3, 10, 13
Investment Advisory Agreement	4, 12
Investment Discretion	3, 8, 12
Limited Power of Attorney	12
Mutual funds	3, 4-5, 6, 9
Performance-based fees	5, 13
Personal Securities Trading	7-8
Proxies, Tender Offers, Class Actions	12
Referrals	10, 11
Restricted Securities	8
Risk	3, 6
SEC	Cover Page, 1, 11
“Soft Dollar” benefits	9-10
Trading	3, 4-5, 6, 7-8, 9, 10, 12
“Wrap fees”	3