

# Nested Interest LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Nested Interest LLC. If you have any questions about the contents of this brochure, please contact us at (718) 578-2410 or by email at: [John.Bevacqua@nestedinterest.com](mailto:John.Bevacqua@nestedinterest.com). 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 Nested Interest LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Nested Interest LLC's CRD number is: 158870*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Therefore there are no material changes to report.

## Item 3: Table of Contents

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Nested Interest LLC is a limited liability company organized in the State of Delaware.

This firm was formed in September 2010 and has been in business since October of 2011. The principal owner is John Bevacqua.

### B. Types of Advisory Services

Nested Interest LLC ("NI") offers the following services to advisory clients:

#### *Financial Planning*

NI recommends a financial strategy for retirement to generate retirement income. This will include a recommended level of spending, how to allocate retirement savings across asset classes as represented by indexed funds and a variety of annuity products, and the use of a covered collar strategy to protect against market risk and loss of principle. These services are based on fixed fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

#### *Online Subscription Services*

NI provides access to detailed reports summarizing results of financial analysis performed by online financial models. NI will allow users to use the basic model for free, but will charge a fee if the user chooses to download a detailed report. NI will also charge a fee if the user elects to use the basic model interactively, where the user can test various user defined asset allocations (the free version of the basic model only allows the user to review a single asset allocation identified by the model). A user becomes a client once it uses a model that requires the payment of a fee.

NI also may offer an advertisement service to companies who list their products on NI's website via the "product directory." A user would first use the basic tool to find out which financial products should be included in their portfolio, and then turn to the product directory to find out where they can find the product(s). The product directory will include a listing of indexed mutual funds, indexed ETFs, and immediate annuity products. NI may charge the companies whose products are listed in these directories a fee for being listed. No payments will be made to NI by these companies for business or the amount of business derived from NI. These companies are not recommended by NI. Users must exercise their own due diligence before using such companies.

### ***Services Limited to Specific Types of Investments***

NI limits its investment advice to asset classes such as mutual funds, bonds, debt securities, ETFs, insurance products including annuities, and government securities. NI may use other asset classes as well to help diversify a portfolio when applicable.

NI does not make recommendations of specific securities or investment products nor is it involved in the buying or selling of securities or investment products for its users.

### **C. Client Tailored Services and Client Imposed Restrictions**

NI offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, number of years to retirement and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of asset classes for a portfolio that matches restrictions, needs, and targets.

Information used to identify a recommended financial strategy for an individual includes their basic spending needs, discretionary spending, existing sources of income, savings in tax qualified and non-tax qualified accounts, the minimum level savings they wish to have during their retirement, age, gender, an indication if this is a plan for one or two individuals, the pattern of spending they anticipate following during their retirement, and an indication of how the individual's financial behavior in different market conditions (i.e. changes to spending and/or investment risk).

Clients may not impose restrictions in investing in certain asset classes in accordance with their values or beliefs.

### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. NI DOES NOT participate in any wrap fee programs.

### **E. Amounts Under Management**

NI has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$0.00	\$0.00	3/28/2012

NI does not manage any assets, discretionary or nondiscretionary, for any clients. It only

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recommends classes of assets.

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### *Financial Planning Fees*

#### *Online Service Fees*

The advertising fees charged to insurance companies, investment firms, and financial advisors, will be negotiated between NI and advertising party. Refunds for this service are not anticipated.

NI offers access to detailed reports summarizing results of financial analysis performed by online financial model. NI also offers users the opportunity to define their own asset allocation, basic and discretionary spending amounts, apply the financial analysis, and download detailed. NI will also provide certain clients access to live webinars on issues related to retirement income planning, which will be offered periodically. NI may also provide email, call center, and/or video conference support to certain users.

NI will provide a variety of “bundled” services, consisting of different combinations of the services described above. These bundled services will be available through a subscription, which will be payable quarterly. The exact fees may be subject to negotiation. Fees Refunds and termination are not anticipated for this product.

### **B. Payment of Fees**

#### *Payment of Online Service Fees*

Online Service fees are paid in advance via check or credit card.

### **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by NI. These services are not provided by NI. Clients must make their own arrangements for such services. Please see Item 12 of this brochure regarding broker/custodian.

## **D. Prepayment of Fees**

NI collects fees in advance.

## **E. Outside Compensation For the Sale of Securities to Clients**

NI is not engaged in the purchase or sale of securities or other investment products on behalf of its clients. Neither NI nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

NI does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

NI generally provides investment advice to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Investment Companies
- ❖ Pension and Profit Sharing Plans
- ❖ Trusts, Estates, or Charitable Organizations
- ❖ Corporations or Business Entities

### ***Minimum Account Size***

There is no account minimum.

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

### **A. Methods of Analysis and Investment Strategies**

#### ***Methods of Analysis***

NI has two different models that it uses to analyze potential financial strategies for retirement income, a “basic model” and an “advanced model”. The “basic model” used in the analysis is a single scenario model that assumes a “shock drop” in the investment returns for the first two years; the size of the shock drop varies with the level of risk tolerance indicated by the user (the more the risk tolerance, the smaller the shock drop),

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and the size of the shock drop can be up to a 3 standard deviation drop from the mean return. After the first two years, investment returns are set at their historical long term averages.

Using this analysis, the model projects cash flows and investment returns over a period that varies with the risk tolerance of the individual (low risk tolerance is projected to age 105 while high risk tolerance is projected to age 95). The financial strategy that is used consists of (1) investments in 4 different indexed mutual funds/ETFs (large cap US equities, mid & small cap US equities, US bonds, and Foreign equities) (2) investment in TIPs (3) investment in cash and (4) investments in 3 different types of immediate annuities (fixed, variable, and longevity insurance). The goal of this method is to use cash available now to meet income needs within the next year; TIPs are used to provide income needs in the following 4 years; and equity/bond funds are used to meet needs for later years.

The “advanced model” uses optimization and a variation of mean-variance analysis via stochastic modeling for their primary method of analysis. It provides a similar set of recommended financial products and asset classes in its recommendations, although the “advanced model” will also employ the use of a covered collar strategy as a way to provide additional protection to the portfolio.

Whether the “basic model” or “advanced model” is used will depend upon which subscription package the client selects.

### ***Investment Strategies***

While NI does not actively management investments, it will generally advise the use of long term trading and possibly covered options writing.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### ***Methods of Analysis***

The risks of this methods used for generating income for retirement include (1) investment returns that are worse than those assumed in the “shock drop” scenario (2) spending needs that are greater than those assumed in the model (3) changes in annuity prices that make it more expensive to purchase the necessary level of income than what is assumed in the analysis (4) inflation levels that are greater than what is assumed in the model (5) longevity that extends well beyond the planning horizon of the analysis (6) credit risk associated with the annuities purchased.

### ***Investment Strategies***

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Options writing generally hold greater risk and clients should be aware that there is a material risk of loss using this strategy.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

NI generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it may utilize options writing. Options writing generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using this strategy.

NI recommends asset classes for investment. It does not recommend the purchase or sale of specific securities or investment products. These are some of the asset classes used by NI:

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss. Mutual funds are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Options writing** involve a contract to purchase a security at a given price, not necessarily at market value, depending on the market.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

**B. Administrative Proceedings**

There are no administrative proceedings to report.

**C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

**Item 10: Other Financial Industry Activities and Affiliations**

**A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither NI nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

**B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither NI nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

**C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither NI nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

**D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

NI does not utilize nor select other advisers or third party managers.

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

**A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions,

Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

## **B. Recommendations Involving Material Financial Interests**

NI does not recommend that clients buy or sell any security or investment product. Instead, it recommends asset classes. Because of this, no recommendations are made to purchase or sell any security or investment product in which a related person to NI or NI has a material financial interest.

## **C. Investing Personal Money in the Same Securities as Clients**

NI does not recommend to its clients the purchase or sale of specific securities or investment products. This prevents the investing of personal money in the same securities or investment products as Clients.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

NI does not recommend to its clients the purchase or sale of specific securities or investment products. This prevents any issues about trading at the same time in specific securities or investment products as its Clients.

# **Item 12: Brokerage Practices**

## **A. Factors Used to Select Custodians and/or Broker/Dealers**

NI does not select or provide recommendations to its clients for custodians or broker/dealers.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

NI will not be trading for or on behalf of client accounts.

# **Item 13: Reviews of Accounts**

## **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

#### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Not applicable.

#### **C. Content and Frequency of Regular Reports Provided to Clients**

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

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

#### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

NI does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to NI clients.

#### **B. Compensation to Non - Advisory Personnel for Client Referrals**

NI will pay Google, Facebook, and other search-based or social media organizations on a per click basis for leads generated to our website, through their service offerings.

### **Item 15: Custody**

NI will not have custody of client accounts at any time.

### **Item 16: Investment Discretion**

NI does not have discretion over client accounts at any time.

### **Item 17: Voting Client Securities (Proxy Voting)**

NI will not ask for, nor accept voting authority for client securities. Clients will receive proxies

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directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

NI does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither NI nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

NI has not been the subject of a bankruptcy petition in the last ten years.