

# Vahanian & Associates Financial Planning Inc.

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ADV Part 2A, Brochure

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This Brochure provides information about the qualifications and business practices of Vahanian & Associates Financial Planning Inc. (the “Registrant”). If you have any questions about the contents of this Brochure, please contact us at (518) 583-0891 or [vahanian@vahanian.com](mailto:vahanian@vahanian.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 Vahanian & Associates Financial Planning Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Vahanian & Associates Financial Planning Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes to this ADV Part 2A, Brochure since the March 26, 2020 annual update filing.

Registrant's Chief Compliance Officer, Bonnie M. Boyce, remains available to address any questions that a client or prospective client has about this Brochure.

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

- A. Vahanian & Associates Financial Planning Inc. (the “Registrant”) is a New York corporation formed on July 14, 1986. The Registrant became registered as an investment adviser in August 1998. The Registrant is owned by Jeffrey C. Vahanian, the Registrant’s President.
- B. As discussed below, the Registrant offers to its clients (currently: individuals, high net worth individuals, trusts and estates, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can engage the Registrant to provide discretionary investment advisory services on a fee basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management. Before engaging the Registrant to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

The Registrant offers to provide investment management services that are tailored specifically to the needs of each client. To begin the investment advisory process, an investment adviser representative will coordinate with each client to develop that client’s investment objectives. Next, the Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. The Registrant primarily allocates client investment assets among various mutual funds and/or exchange traded funds (“ETFs”), and, to a lesser extent, individual equity (stocks) and debt (bonds) securities on a discretionary basis. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives, and may periodically execute or recommend execution of transactions for the account based upon those reviews or other triggering events.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant may agree to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Before engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client before Registrant commences services.

#### **MISCELLANEOUS**

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. As indicated above, to the extent requested by the client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant does not serve as a law firm or accounting firm, and no portion of its services should be construed as legal or accounting services. Accordingly, Registrant does not prepare estate planning

documents or tax returns. Unless specifically agreed in writing, neither Registrant nor its representatives are responsible to: implement any financial plans or financial planning advice; provide ongoing financial planning services; or provide ongoing monitoring of financial plans or financial planning advice. The client is solely responsible to revisit the financial plan or financial planning advice with Registrant, if desired. Registrant's financial planning and consulting services are completed upon communicating its recommendations to the client. Upon client request, Registrant may recommend the services of other professionals for certain implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of Registrant in their separate individual capacities as registered representatives of Royal Alliance Associates ("Royal") an SEC registered and FINRA member broker-dealer (as described in Item 5.E.), and as licensed insurance agents (as described in Item 10.C.). The client is under no obligation to engage the services of any recommended professional, who shall be solely responsible for the quality and competency of the services they provide. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant and/or its representatives. Conflict of Interest: The recommendation by Registrant's representative that a client purchase a securities or insurance commission product through Registrant's representative in their separate and individual capacity as a registered representative of Royal and/or as an insurance agent presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment or insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products through such a representative. Clients are reminded that they may purchase securities and insurance products recommended by Registrant through other, non-affiliated broker-dealers and/or insurance agents. If the client engages any recommended professional, and a dispute then arises related to the engagement, the client should seek recourse exclusively from and against the engaged professional. Registrant's Chief Compliance Officer, Bonnie M. Boyce remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

Cash Positions. Registrant may hold a portion of client's assets in cash or cash equivalent positions (such as but not limited to money market funds) typically for defensive and liquidity purposes. Investments in these assets may cause a client to miss upswings in the markets. Unless Registrant expressly agrees otherwise in writing, account assets consisting of cash and cash equivalent positions are included in the value of an account's assets for purposes of calculating Registrant's advisory fee. A client can advise Registrant not to maintain (or to limit the amount of) cash or cash equivalent positions in their account.

Portfolio Trading Activity / Inactivity. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when Registrant determines that trades within a client's portfolio are not prudent. Clients nonetheless remain subject to the fees described in Item 5 during periods of portfolio trading inactivity.

Availability of Mutual Funds and ETFs. While the Registrant may recommend allocating investment assets to mutual funds and ETFs that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publicly-available mutual funds and ETFs that the client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to allocate

investment assets to publicly-available mutual funds and ETFs without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment advisory services with respect to that asset.

Retirement Plan Rollovers – No Obligation / Potential for Conflict of Interest: A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. The Registrant's Chief Compliance Officer, Bonnie M. Boyce, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such a rollover recommendation.

Asset Aggregation / Reporting Services. Registrant may provide access to reporting services through one or more third-party aggregation / reporting platforms that can reflect all of the client's investment assets, including those investment assets that the client has not engaged the Registrant to manage (the "Excluded Assets"). Registrant's service for the Excluded Assets is strictly limited to reporting, and specifically excludes investment management or implementation. Because Registrant does not have trading authority for the Excluded Assets, the client (and/or another investment professional), and not Registrant, shall be exclusively responsible for directly implementing any recommendations for the Excluded Assets. Further, the client and/or their other advisors that maintain trading authority, and not Registrant, shall be exclusively responsible for the investment performance or related activity (such as timing and trade errors) pertaining to the Excluded Assets. The third-party aggregation / reporting platforms may also provide access to financial planning information and applications, which should not be construed as services, advice, or recommendations provided by Registrant. Accordingly, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the third party reporting platforms without Registrant's participation or oversight.

Client Obligations. In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Clients maintain responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations and/or services.

Disclosure Statement. A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement or Financial Planning and Consulting Agreement.

Margin / Securities Based Loans. Upon client request, Registrant may recommend that a client establish a margin loan or a securities-based loan (collectively, “SBLs”) with the client’s broker-dealer/custodian or their affiliated banks (each, an “SBL Lender”) to access cash flow. Unlike a traditional real estate-backed loan, an SBL has the potential benefit of enabling borrowers to access funds in a shorter period of time, providing greater repayment flexibility, and may also result in the borrower receiving certain tax benefits. Clients interested in learning more about the potential tax benefits of borrowing money on margin should consult with an accountant or tax advisor. The terms and conditions of each SBL are contained in a separate agreement between the client and the SBL Lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the SBL if the SBL Lender determines that the value of collateralized securities is no longer sufficient to support the value of the SBL; the risk that the SBL Lender may liquidate the client’s securities to satisfy its demand for additional collateral or repayment / the risk that the SBL Lender may terminate the SBL at any time. Before agreeing to participate in an SBL program, clients should carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing “margin calls” and liquidating securities and other assets in the client’s accounts. If Registrant recommends that a client apply for an SBL instead of selling securities that Registrant manages for a fee to meet liquidity needs, the recommendation presents an ongoing conflict of interest because selling those securities (instead of leveraging those securities to access an SBL) would reduce the amount of assets to which the Registrant’s investment advisory fee percentage is applied, and thereby reduce the amount of investment advisory fees collected by the Registrant. Likewise, the same ongoing conflict of interest is present if a client determines to apply for an SBL on their own initiative. These ongoing conflicts of interest would persist as long as Registrant has an economic disincentive to recommend that the client terminate the use of SBLs. Clients are therefore reminded that they are not under any obligation to employ the use of SBLs, and are solely responsible for determining when to use, reduce, and terminate the use of SBLs. Although Registrant seeks to disclose all conflicts of interest related to its recommended use of SBLs and related business practices, there may be other conflicts of interest that are not identified above. Clients are therefore reminded to carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender as applicable, and contact the Registrant’s Chief Compliance Officer with any questions regarding the use of SBLs.

Cybersecurity Risk. The information technology systems and networks that Registrant and its third-party service providers use to provide services to Registrant’s clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Registrant’s operations and result in the unauthorized acquisition or use of clients’ confidential or non-public personal information. Clients and Registrant are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Registrant has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Registrant does

not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

- C. The Registrant shall provide investment advisory services tailored specifically to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Then, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2020, the Registrant had \$243,858,887 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary or investment advisory services on a non-negotiable *fee* basis.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage the Registrant to provide discretionary investment advisory services on a fee basis, except in extremely limited circumstances, the Registrant's annual investment advisory fee is non-negotiable and equal to 1.25% of the assets placed under the Registrant's management.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, the Registrant may agree to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's non-negotiable planning and consulting fees is \$250.00 per hour, payable according to the terms and conditions of a Financial Planning and Consulting Agreement.

- B. The Registrant shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter. Both Registrant's Investment Advisory Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice.

- C. The Registrant recommends that Royal Alliance Associates Inc. (“Royal”) (which clears through Pershing, LLC) serve as the broker-dealer for client investment management assets. Broker-dealers charge brokerage commissions and/or transaction fees for executing certain securities transactions, and the qualified custodians who hold investment assets impose additional charges for custodial services / fees associated with maintaining the client’s account. For mutual fund and ETF purchases, clients will incur charges imposed by the respective fund, which represent the client’s pro rata share of the fund’s management fee and other fund expenses. These fees and expenses are described in each fund’s prospectus or other offering documents. The fees charged by the applicable broker-dealer/custodian, and the charges imposed by mutual funds and ETFs, are separate from and in addition to Registrant’s advisory fee referenced in this Item 5.
- D. Registrant’s annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the Registrant shall debit the account for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing quarter.
- E. Securities Commission Transactions. Clients can choose to engage Jeffrey C. Vahanian, the Registrant’s President, in his separate and individual capacity as registered representative of Royal, an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In addition, certain other of Registrant’s representatives are non-producing registered representatives of Royal. Therefore, clients cannot engage them to implement investment recommendations on a commission basis as they would be able to do through Mr. Vahanian. If the client chooses to purchase investment products through Royal, then Royal will charge brokerage commissions to execute securities transactions, and Royal will pay a portion of those commissions to Mr. Vahanian, as applicable. The brokerage commissions charged by Royal may be higher or lower than those charged by other broker-dealers. In addition, Royal, as well as Mr. Vahanian, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

Royal has also provided financial assistance to Mr. Vahanian, in his separate and individual capacity as a registered representative of Royal, as part of a compensation package through a series of forgivable loans (“Forgivable Loans”), one of which remains outstanding. The terms of the Forgivable Loans vary from three (3) to five (5) years in length, and constitute additional economic benefits. Under the Forgivable Loans, loan repayments due and owing by Mr. Vahanian are offset by corresponding annual payments made by Royal to Mr. Vahanian, so long as Mr. Vahanian remains continuously affiliated with, or otherwise provides continuing and uninterrupted services, for Royal, and uses best efforts to maintain client assets and accounts with Royal. The Forgivable Loans therefore incentivize Mr. Vahanian to remain affiliated with Royal in a separate individual capacity as a registered representative and to recommend that clients use and/or maintain brokerage assets with Royal. Depending upon his production through Royal, Mr. Vahanian can also qualify to attend Royal’s annual invitation-only recognition event and other events, which could also include discounted or free hotel, travel, and other accommodations for himself and a guest (“Event Benefits”). The receipt



of the Forgivable Loans and the Event Benefits present conflicts of interest, because Registrant's representatives are incentivized to recommend that clients utilize Royal for brokerage services in an effort to achieve loan forgiveness or maximize the scope of the Event Benefits, rather than basing such recommendations on a client's particular needs. Clients are therefore reminded that they are not under any obligation to purchase securities commission products through Royal and/or Registrant's representatives, and that they may purchase such securities commission products from other, non-affiliated broker-dealers and registered representatives.

1. Conflicts of Interest: Based upon the above compensation arrangements, the recommendation that a client purchase a commission product from Royal presents conflicts of interest, as the receipt of commissions or other compensation may provide an incentive to recommend investment products based on commissions and other compensation to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. The Registrant's Chief Compliance Officer, Bonnie M. Boyce, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.
2. Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representative sells an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representative does not also receive commission compensation or additional 12b-1 fees for such advisory services. However, a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representative on a separate commission basis.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients currently include: individuals, high net worth individuals, trusts and estates. While the Registrant does not impose any mandatory requirements for opening or maintaining investment advisory accounts, the Registrant generally seeks to provide those services to clients having at least \$500,000 in assets designated for Registrant's management.

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal investment. Past performance does not guarantee future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s). Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various mutual funds and/or ETFs, and, to a lesser extent, individual equity (stocks) and debt (bonds) securities on a discretionary basis in accordance with the client's designated

investment objectives. Each type of security has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with investing in the types of securities to which Registrant allocates client investment assets:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors), but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Commodity Risk. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invest it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Exchange Traded Fund Risk. ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Registered Representative of Royal. As disclosed above in Item 5.E, Jeffrey C. Vahanian, the Registrant's President, is also a registered representative of Royal, an SEC-registered and FINRA member broker-dealer. Certain other of Registrant's representatives are non-producing registered representatives of Royal.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Broker Dealer. As disclosed above in Item 5.E, Jeffrey C. Vahanian is a registered representative of Royal, an SEC-registered and FINRA member broker-dealer. Clients can therefore choose to engage Mr. Vahanian, in his separate and individual capacity to execute securities brokerage transactions on a commission basis.

Licensed Insurance Agents. Certain of Registrant's representatives, in their separate and individual capacities, are also licensed insurance agents who may recommend the purchase of certain insurance-related products on a commission basis and may be engaged in such a capacity.

Conflicts of Interest. The recommendation by Registrant's representatives that a client purchase a securities or insurance commission product presents conflicts of interest, as the receipt of commissions or other compensation including Forgivable Loans provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents or broker-dealers. The Registrant's Chief Compliance Officer, Bonnie M. Boyce, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

Royal Alliance Practice Support Council. As discussed in response to Item 12.A.1. below, Registrant's Chief Compliance Officer, Bonnie Boyce, serves on the Royal Alliance Practice Support Council ("Royal Support Council"). Ms. Boyce is not compensated by Royal for this service. However, Royal often waives or discounts Ms. Boyce's registration fees, lodging, meals and other incidental expenses incurred in attending meetings. Registrant's principal owner and President, Jeffrey C. Vahanian, previously served in a similar capacity on other Royal Alliance Advisory Boards. This relationship presents a conflict of interest because it may incentivize Registrant to recommend that clients engage Royal as broker-dealer based on Ms. Boyce's receipt of the above-described benefits for her service to the Royal Support Council. Clients are therefore reminded that they are not required to engage Royal to provide broker-dealer services.

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation presents a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed before those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation presents a conflict of interest. As indicated above in Item 11 C, the Registrant

has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Royal/Pershing, LLC. Before engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian. Depending on which custodian clients select to maintain their account, they may experience differences in customer service, transaction timing, the availability of sweep account vehicles and money market funds, and other aspects of investing.

Factors that the Registrant considers in recommending Royal/Pershing, LLC (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to execute the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee.

### **1. Non-Soft Dollar Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant receives from Royal/Pershing, LLC (or could receive from other broker-dealer/custodians, unaffiliated investment managers, vendors, investment platforms, and/or product/fund sponsors) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. The support services that Registrant receives can include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted and/or free travel and attendance at conferences, meetings, and other educational and/or social events (which can also include transportation and lodging), marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As referenced above, certain of the support services and/or products that Registrant can receive may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise. The receipt of these support services and products presents a conflict of interest, because the Registrant has the incentive to recommend that clients utilize Royal/Pershing, LLC as a broker-dealer/custodian based upon its interest in continuing to receive the above-described support services and products, rather than based on a client's particular need. However, Registrant's clients do not pay more for investment transactions executed and/or assets maintained at Royal/Pershing, LLC as a result of this arrangement. There is no corresponding commitment made by the Registrant to Royal/Pershing, LLC or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. Clients are further reminded that they are not under any obligation to purchase securities commission products through Royal/Pershing, LLC and/or Registrant's representatives, and that they may purchase such securities commission products through other, non-affiliated broker-dealers. The Registrant's Chief Compliance Officer, Bonnie M. Boyce, remains available to address any questions that a client or prospective client may have regarding the above arrangement and conflicts of interest presented.

Royal Alliance Practice Support Council. As indicated in Item 10.C. above, Registrant's Chief Compliance Officer, Bonnie Boyce, serves on Royal Support Council, which is comprised of approximately nine representatives who have been invited by Royal to participate in meetings and discussions related to Royal's services and operations. Ms. Boyce is not compensated by Royal for this service. However, Royal pays for Ms. Boyce's lodging, meals and other incidental expenses incurred in attending meetings. This relationship presents a conflict of interest because it may incentivize Registrant to recommend that clients engage Royal as broker-dealer based on Ms. Boyce's receipt of the above-described benefits for his service to the Royal Support Council. Clients are therefore reminded that they are not required to engage Royal to provide broker-dealer services.

2. The Registrant does not receive referrals from broker-dealers.
3. Directed Brokerage.  
The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be executed through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

If the client directs Registrant to execute securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to execute account transactions through alternative clearing arrangements that may be



available through Registrant. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts. The Registrant's Chief Compliance Officer, Bonnie M. Boyce, remains available to address any questions about the above arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be executed independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principal and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on a non-periodic basis upon triggering events such as but not limited to changes in client investment objectives / financial situation, market activity, and specific client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Items 5.E. and 12.A.1. above, the Registrant and its representative receive economic benefits from Royal/Pershing, LLC (or could receive from another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, and/or product/fund sponsor) including support services and/or products without cost or at a discount. Registrant's clients do not pay more for investment transactions executed and/or assets maintained at Royal/Pershing, LLC or any other entity as a result of this arrangement. There is no corresponding commitment made by the Registrant to Royal/Pershing, LLC or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result

of the above arrangement. The Registrant's Chief Compliance Officer, Bonnie M. Boyce, remains available to address any questions about the above arrangement.

- B. The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

## **Item 15           Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance. To the extent that the Registrant provides clients with periodic account statements or reports, Registrant urges clients to carefully review those statements and compare them to custodial account statements. Registrant's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The account custodian does not verify the accuracy of the Registrant's advisory fee calculations.

The Registrant provides other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. In particular, certain clients have signed asset transfer authorizations that permit the qualified custodian to rely upon instructions from the Registrant to transfer client funds to "third parties." In accordance with the guidance provided in the SEC Staff's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

## **Item 16           Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Before the Registrant assumes discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise execute investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, in writing, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

**Item 17      Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

**Item 18      Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

Registrant's Chief Compliance Officer, Bonnie M. Boyce, remains available to address any questions that a client or prospective client has about this Brochure.