

Watters Financial Services, LLC

**16 Arcadian Avenue, Suite C4
Paramus, NJ 07652**

**(201) 843-0044 Phone
(201) 843-1171 Facsimile**

www.wattersfinancial.com

FORM ADV PART 2A BROCHURE

February 26, 2021

This brochure provides information about the qualifications and business practices of Watters Financial Services, LLC. If you have any questions about the contents of this brochure, please contact us at (201) 843-0044. The information in this brochure has not been approved or verified by any state securities authority.

Additional information about Watters Financial Services, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Watters Financial Services, LLC is a Registered Investment Advisor (RIA). Registration with any state securities authority does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

As a Registered Investment Advisor, we are required to amend this ADV Part 2A brochure when there are any material changes.

Since our last annual updating amendment dated March 12, 2020, WFS no longer offers financial planning on an hourly basis. WFS now offers a one-time review of an investment portfolio.

Item 3 Table Of Contents

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

Item 4 Advisory Business

Watters Financial Services, LLC (WFS) provides wealth management, business retirement plan consulting and a one-time portfolio review to new clients. We are an independent firm not affiliated with any investment firm, bank, or insurance company. We do not sell investment products or insurance policies. We do not receive commissions; fees received come directly from the client. The combination of our independence and Fee-Only compensation enables us to give our clients advice that is more objective and unbiased. No one is influencing our recommendations.

Being a Registered Investment Advisor (RIA) we are legally required to uphold a Fiduciary Standard of Care, which means we must always act in good faith and in the best interests of the client. As an RIA, we are required to provide full disclosure and transparency in the ADV Brochures Part 2A and 2B.

All advice is provided by CERTIFIED FINANCIAL PLANNER™ Professionals (CFP®). The Certified Financial Planner Board of Standards, Inc. establishes and enforces the fiduciary standards, ethics, examination, experience, and ongoing education requirements of Financial planners with CFP® certificates. Non-fiduciary advisers are only required to provide advice or sell products that they deem "suitable" to the client. Those products and recommendations may not be the best or most cost effective for the client's financial situation or goals.

For over 35 years, our mission has been to deliver customized plans, superior personalized service, expertise and advice designed to reduce risk, grow wealth, protect assets, and manage income and taxes.

This disclosure document ADV Part 2A brochure provides information about WFS services, compensation, conflicts of interest, etc. The ADV supplement, Part 2B provides information regarding Timothy Watters, CFP® and Colin Watters, CFP®.

WFS is organized as a limited liability company (LLC) under the laws of the State of New Jersey. Timothy Watters is the Senior Partner and Colin Watters is a Partner of WFS.

As used in this brochure, "WFS", "we", "our" and "us" refer to Watters Financial Services, LLC and the words "you", "your" and "client" refer to a client or prospective client of our firm. An Associated Person refers to an employee of the firm.

<http://www.wattersfinancial.com> is the firm's website.

Below is a description of the services WFS provides.

1. Wealth Management: A combination of Investment Management and Financial Planning. Review meetings and extent of Financial Planning services is based on the assets under management.

2. Portfolio Review: Test the Watters. Get to know us with a one-time portfolio review for new clients.

3. Retirement Plan Consulting to Business Owners: Services regarding Retirement Plans, ERISA, 401(k), and Pension Plans.

1. WEALTH MANAGEMENT (for Clients with \$500,000 or more in assets under management, AUM)

AUM

NUMBER OF REVIEW MEETINGS

\$500,000 and above

Usually Quarterly following a Client Roadmap and follow-up letters

Wealth Management is a comprehensive investment advisory service that bundles together portfolio management and financial planning components for one advisory fee. Wealth Management is a structured process which includes: (1) Discovery Meeting, (2) Ongoing Comprehensive Financial Planning and Client Engagement Road Map, (3) Goal-Based Reporting (investment benchmark, risk and returns, rebalancing), (4) Periodic meetings which are usually quarterly. Follow up letters and/or e-mails are sent to clients after each review meeting summarizing what was discussed, recommendations, and next actions. Wealth Management is an eight-step process.

Step 1. Establishing and defining the client-planner relationship.

Step 2. Gathering client data. We construct a personal profile identifying your goals, time horizon, liquidity needs, risk tolerance, resources, cash flow, and income requirements. The information gathered during the Discovery Meeting. This information also serves as the foundation for the Client Engagement Road Map used to structure the ongoing comprehensive financial planning. The client prioritizes the sequence of issues that will be addressed over the next two years. These topics may include:

- Retirement Planning; 401(k), IRA, ROTH IRA, Pension Plans, Retirement Funding, and Income Disbursement.
- Wealth Transfer and Estate Planning; Wills, Trusts, Power of Attorney, Health Care Proxy, Living Will.
- Risk Management and Protection of Income; insurance for life, disability, homeowners, automobile, long term care, personal liability.
- Business Succession, Buy/Sell Agreements.
- Tax Analysis of Investments and Retirement Vehicles.
- Investment Planning (including portfolio design); i.e., asset allocation and portfolio management.
- College Funding, Debt Management, Cash Flow Analysis, and Budgeting.

Step 3. Analyze and evaluate the client's current financial status.

Step 4. Develop and present investment management and financial planning recommendations. Develop the Client Engagement Road Map outlining the structure of the comprehensive and ongoing financial planning. **Note: WFS is an independent firm and does not sell investments or insurance. WFS is a Fee-Only firm and does not receive commissions, rebates, awards, finder's fees, or bonuses for recommending insurance policies or investment products. No one is influencing our recommendations.**

Step 5. Determine the optimal asset allocation and appropriate diversification of the investment portfolio. A diversified investment portfolio is designed to maximize returns while simultaneously managing risk. The client's risk tolerance and the risk within each of the assets are considered.

Step 6. Implement the investment portfolio with either discretionary or non-discretionary trading authority. You will grant our firm either discretionary or non-discretionary trading authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the number of securities, to be purchased or sold for your account without your approval prior to each transaction. The trading authority you grant the firm is documented in the Investment Advisory Agreement, the applications you sign with TD Ameritrade (you initial the limited power of attorney authorizations) and the Investment Guidelines documenting the portfolio model chosen and lists any restricted positions to be held in your accounts. You may limit our discretionary authority, for example, limiting the types (fossil fuels, tobacco) of securities that can be purchased for your account. These guidelines and restrictions can be changed at any time with a new signed Investment Guidelines form. If you enter into a non-discretionary arrangement, we must obtain your approval prior to executing any transactions for your account.

Step 7. Monitor investment performance and periodically rebalance the portfolio. The investment portfolio is monitored on an ongoing basis. Portfolios are rebalanced if the relative value of the investment changes enough to become inconsistent with the agreed upon asset allocation because of changes in the market or your financial circumstances. Account supervision is guided by the stated objectives of the client, i.e. growth, income, or growth and income. Clients are asked to notify WFS if there is ever any change in their financial situation or investment objectives.

To summarize, Investment Management includes

1. Developing investment strategies
2. Selecting investments
3. Executing trades (on a discretionary or non-discretionary trading authority)
4. Periodic performance reporting
5. Rebalancing
6. Reallocating portfolio due to changes in your portfolio model, economy, performance of fund managers and other factors
7. Tax loss harvesting

Step 8. Monitor the progress of the comprehensive financial planning. The Client Engagement Road Map segments the issues and attaches a time table to the strategic financial plan. Financial Planning is a dynamic process and is monitored with review meetings. Most clients have meetings quarterly. Different financial strategic plans and/or products may be more appropriate and effective as circumstances change. Planning is affected by changes in the economy, political environment, stock market, tax laws, investment performance, health status, income, or other life event such as divorce, job loss, or death of a loved one. Wealth Management clients do not receive a single written financial planning document, as this service includes comprehensive and ongoing financial planning. Clients are provided a "Client Engagement Road Map" that breaks down the planning process into assignments or activities that are discussed and acted upon during the client's meetings which are usually quarterly. All meetings are followed up with an e-mail or letter summarizing what was discussed, recommendations, and next actions. Clients receive a call before the meeting to review the agenda for the meeting and may add or delete a topic depending on their preferences or an event that requires a discussion/solution.

WEALTH MANAGEMENT (for Clients with AUM below \$500,000)

We develop an Investment Portfolio with the optimal asset allocation and appropriate diversification for the client's risk tolerance, goals, and other considerations. A diversified investment portfolio is designed to maximize returns while simultaneously managing risk. The criteria for selection of

investment vehicles, performance, and allocation of the various types of assets are monitored on an ongoing basis. WFS will supervise the client's portfolio and will make recommendations to revise the allocation as market factors and the client's needs dictate. Portfolios are rebalanced, on a discretionary or non-discretionary basis, if the relative value of the investment changes enough to become inconsistent with the agreed upon asset allocation. Clients may instruct the firm to refrain from investing in certain types of securities for example oil, fossil fuels or tobacco. These guidelines are documented, signed and can be changed at any time.

To summarize, Investment Management includes

1. Developing investment strategies
2. Selecting investments
3. Executing trades (on a discretionary or non-discretionary trading authority)
4. Periodic performance reporting
5. Rebalancing
6. Reallocating portfolio due to changes in your portfolio model, economy, performance of fund managers and other factors
7. Tax loss harvesting

ASSETS UNDER MANAGEMENT (AUM)

NUMBER OF REVIEW MEETINGS

\$300,000 to \$500,000
Under \$300,000

Two review meetings with follow-up letters
Annual meeting with follow-up letter

2. PORTFOLIO REVIEW

Test the Watters: Get to know us with a one-time portfolio review for new clients. This service provides another perspective on your existing investment portfolio. 401(k) assets, investment accounts and retirement accounts will be reviewed. After researching current holdings, risk tolerance, time horizon, goals, liquidity needs, resources, cash flow and income requirements, specific recommendations will be given to improve the portfolio.

3. RETIREMENT PLAN CONSULTING TO BUSINESS OWNERS

WFS offers various levels of advisory and consulting services to employee benefit plan sponsors and fiduciaries. The services are designed to assist them in meeting their management obligations to participants under the Employee Retirement Income Securities Act ("ERISA"). We offer pension consulting services based upon the needs of the plan and the services requested. The consulting will be non-discretionary and advisory in nature. WFS will provide advice about asset classes and investment alternatives available for the plan. The plan sponsor or fiduciary shall have the final decision-making authority regarding the selection, retention, removal, and addition of investment options. WFS will not be involved in any way in the purchase or sale of these investments. Investments will be monitored periodically based on the procedures and timing intervals delineated by the client.

WFS also provides periodic educational workshops designed for the plan participants. The nature of the topics to be covered will be determined by WFS and the plan sponsor under the guidelines established in ERISA Section 404(c). The educational workshops will NOT provide plan participants

with individualized, tailored investment advice or asset allocation recommendations. WFS is not a fiduciary to the participants. The sponsor or fiduciary retains the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).

ASSETS UNDER MANAGEMENT (AUM)

As of February 5, 2021, WFS managed \$101,123,440 on a discretionary basis and \$58,805,031 on a non-discretionary basis for a total of \$159,928,471. In addition, WFS also advised on a limited scope fiduciary basis approximately \$30,548,616 of company 401(k) and 403(b) assets.

Item 5 Fees and Compensation

1. WEALTH MANAGEMENT

For clients with asset under management \$500,000 and above, the fee for Wealth Management includes both investment management and comprehensive, continuous financial planning.

The annual fee is charged as a percentage of assets under management (AUM), according to the following schedule:

| <u>Assets Under Management</u> | <u>Annual Fee (%)</u> |
|---------------------------------------|------------------------------|
| Under \$750,000 | 1.00% |
| \$750,000 to \$1,000,000 | 0.75% |
| \$1,000,000 to \$5,000,000 | 0.60% |
| Over \$5,000,000 | Negotiable |

For example, clients with \$850,000 in assets under management (AUM) will be charged annually 1.00% for the first \$750,000 plus .75% on the next \$100,000.

Unlike other firms, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. This can help lower the aggregate fee percentage charged. We will act in our clients' best interests and choose the lowest client fee rate when making a householding calculation, in effect reducing our total advisory fee to such clients.

WFS does **NOT** charge performance-based fees, which are fees calculated on the basis of capital appreciation within client accounts.

WFS does **NOT** invest in any funds that charge initial or deferred sales charges.

WFS does **NOT** charge to provide investment advice on a client's employer retirement plan assets.

WFS does **NOT** share in any portion of the brokerage fees/transaction charges imposed by TD Ameritrade.

WFS primarily uses no load mutual funds or exchange traded funds. WFS strives to obtain the lowest price when purchasing shares in mutual funds or exchange traded funds. WFS strives to invest in the least expensive share class of the fund whenever practical.

We offer one hour of financial planning services to family members of existing Wealth Management clients with over \$1,000,000 in assets under management at no cost. We may waive this minimum at our discretion.

When considering WFS or other firms to manage your assets, we strongly recommend that you become an informed consumer. It is very important that you read the ADV forms (both the 2A and 2B) carefully before you commit to working with a financial advisor. Fees and disciplinary issues are very important (among others). Regarding fees, you should know of any other fees you may or will be charged. You should know when and how often. You should know if the Advisor you are considering will receive commissions, rebates, awards, finder's fees, bonuses, revenue sharing, or any other form of compensation based on his/her recommendations of insurance or investment products. The ADV forms 2A and 2B should be on the firm's website. If it is not on the website and the Advisor is hesitant to provide it, then we suggest that you continue your search. Regarding the advisor's integrity and the trust, you expect to have with the person handling your money, you should read Part 2B of the ADV. It is a bit like a resume and will disclose any current disciplinary issues or past disciplinary history.

In our case, WFS is a Fee-Only firm. The definition of Fee-Only is that the Advisor is compensated solely by the client with neither the Advisor nor any related party receiving compensation that is contingent on the purchase or sale of a financial or insurance product. The Advisor does not receive commissions, rebates, awards, finder's fees, bonuses, revenue sharing, or other forms of compensation from others because of a client's implementation of the recommendations.

Mutual funds and exchange traded funds charge fees to the client. These fees are described in each fund's prospectus and generally include a management fee and possibly other fund expenses. These fees should be reviewed with your advisor prior to making purchases. TD Ameritrade may charge transaction fees when purchasing or selling securities. Our goal is to minimize these fees by trading only when it is appropriate.

To fully understand the total cost, you will incur you should review all the fees charged by Mutual Funds, Exchange Traded Funds (ETF's), WFS, and TD Ameritrade.

Clients will be charged in arrears. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis. This means that the advisory fee is payable in proportion to the number of days in the quarter for which you were a client. WFS will deduct the wealth management fees at the end of the quarter, directly from your account through TD Ameritrade, which holds your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by TD Ameritrade.
- WFS will provide a quarterly performance report which includes the amount of the fee, the value of the assets on which the fee is based, and how the fee was calculated.
- The custodian, TD Ameritrade, agrees to send you a statement, at least quarterly, indicating all transactions including the amount of the advisory fee paid directly to our firm. You should review all statements for accuracy. WFS will also receive a copy of your statements. If you do not receive a statement directly from TD Ameritrade, contact both TD Ameritrade and WFS.

Long-standing clients were subject to the minimum account requirements and advisory fees that were in effect at the time the client entered into the advisory relationship. Therefore, minimum account requirements and advisory fees may differ among clients. At our discretion, we may waive this minimum account size based on the facts and circumstances at the time. Fees and account minimums may be negotiable.

WFS clients have access to institutional funds that offer lower fees based on a higher minimum investment requirement. WFS can meet that requirement by aggregating the firm's total assets under management.

2. PORTFOLIO REVIEW

The cost of this service is \$1,500. This service is a one-time offer for new clients to get to know us. Clients who choose to upgrade to Wealth Management will have this fee waived.

3. RETIREMENT PLAN CONSULTING TO BUSINESS OWNERS

Fee for this service will be negotiated with the plan sponsor and based on assets under management and complexity of assignment. For services that involve ongoing asset management, these fees will be charged based on the schedule outlined in the service contract of the plan service provider or the investment advisory service agreement if the assets are held at TD Ameritrade. These accounts will be billed quarterly in arrears. WFS will bill the client or the 401K vendor, or TD Ameritrade will directly deduct the fees from the account(s). WFS will not directly debit any account without receiving written authorization from the plan fiduciaries. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which the plan is under management. Further, the plan fiduciaries will receive an account statement delivered at least quarterly.

HOW WE HANDLE TRADE ERRORS

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account by WFS. If a trade error results in a profit, the trade error will be corrected by TD Ameritrade and you will not keep the profit. Instead, the profit will be donated to a charity. The check will be processed through TD Ameritrade.

TERMINATION

The duration of the agreement shall be ongoing until the Advisor or the client terminates the agreement in writing. For managed investments, clients will incur a pro rata charge for services rendered prior to the termination. This means they will incur advisory fees only in proportion to the number of days in the quarter for which they were a client and their assets were managed.

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

WFS does not charge performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of the client's account.

Item 7 Types of Clients

WFS provides Wealth Management services to more than 100 families. Our clients trust us to help them invest over \$160 million in assets. The average client tenure is 15 years. Some clients have been with us for more than one generation. Below are examples of the types of clients we serve.

Business Owners and Entrepreneurs

Business owners wear many hats. They must run the business, grow the business, and make sure that they reach their own financial goals as well. Successful business owners assemble a team of trusted professionals that facilitate keeping it all on track. We take on the quarterback role to that team. We help the business owner with their personal planning as well as guide the company on acquisitions, succession planning and retirement plan selection. Many of our clients started their own businesses from scratch and built them into successful enterprises. We also serve many multigenerational family businesses. WFS works with plan sponsors and fiduciaries of pension and profit sharing retirement plans which may include workshops with employees.

Corporate Executives and Professionals

For corporate executives and professionals, it is all about time. What little time they have, they want to spend it focused on their career and family. These individuals are looking for a trusted partner who can help them manage it all. We ensure that professionals and executives have that time, and they can trust us to handle their finances responsibly and in a timely manner. We may work as a team with their attorney and accountant to consolidate their finances and accomplish their goals.

Individuals Transitioning to Retirement

Facing the prospect of retirement is a daunting task. There are several factors to consider including your longevity, rates of return, inflation, etc. Here, we act as your guide. We review your cash flow needs, analyze your personal situation, run retirement scenarios, and determine the optimal strategy to meet your goals.

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

Our investment strategies and advice vary depending on each client's specific financial situation. Determining the investments and allocations is customized based on the goals and objectives, risk tolerance, time horizon, financial information, liquidity needs, and other factors.

Portfolios generally consist of one or all of the following: mutual funds, Exchange Traded Funds ("ETFs"), corporate, municipal and government bonds, notes, and Treasury Bills. However, we may recommend other types of investments as appropriate, since each client has different needs and a different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

We generally do not recommend common or preferred stocks, but will incorporate them into client accounts if the client already holds such assets upon opening their accounts with WFS or insists on the purchase of a stock.. We do not engage in practices that involve frequent trading of securities which would increase transaction costs. We do not recommend or engage in short sales, margin transactions, or trying to time the market.

Mutual funds and ETFs are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if for example, the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange Traded Funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. While some mutual funds are "no load" and charge no fee to buy into or sell out of the funds, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". "Open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests. The mutual funds and ETFs will be selected based on any or all of the following criteria: the fund's performance history, the industry sector in which the fund invests, the track record of the fund's manager, the fund's investment objectives, the fund's management style and philosophy, and the fund's management fee structure. WFS only uses no load mutual funds and looks to obtain the lowest price share class of the fund whenever practical.

Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on the financial health of the issuer, the risk that the issuer might default, when the bond is set to mature, and whether the bond can be "called" prior to maturity. When a bond is called it may not be possible to replace it with a bond of equal character paying the same rate of return.

Government and Municipal securities, while generally thought of as safer, can also have significant risks associated with them including, but not limited to the credit worthiness of the governmental entity that issues the bond, the stability of the revenue stream that is used to pay the interest to the bondholders, when the bond is due to mature, and whether or not the bond can be "called" prior to maturity. When a bond is called it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Strategies and investments may have unique and possibly significant tax implications. However, unless we specifically agree otherwise in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the process of investing your assets. TD Ameritrade reports the cost basis of equities acquired in client accounts and of mutual funds. WFS uses the Highest Cost accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to WFS immediately and we will alert TD Ameritrade of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Clients can place reasonable restrictions on the types of investments which will be made on the client's behalf. This will be recorded in an Investment Guidelines form which will be reviewed periodically and can be changed at any time with a new signed Investment Guidelines form. Clients will always retain individual ownership of all securities and receive statements directly from TD Ameritrade.

As mentioned earlier, each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

To minimize risk, we do the following:

1. Determine the client's risk tolerance, goals, time horizon, financial circumstances etc.
2. Construct portfolios that include assets with varying degrees of risk.
3. Diversify globally.
4. Rebalance periodically in accordance with the agreed upon portfolio asset allocation model.
5. Minimize taxes and transaction costs by limiting trading.

Options:

WFS only sells covered calls for clients who already own individual stocks. WFS will not purchase options for clients.

Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). Selling covered calls is a strategy in which an investor writes a call option contract while at the same time owning an equivalent number of shares of the underlying stock.

The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period. Calls are like having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock. WFS only offers Covered Calls to our clients.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.
- Option trading exchanges or markets and option contracts themselves are always open to changes.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm goes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks, as stock options are a derivative of stocks.

Item 9 Disciplinary Information

Watters Financial Services, LLC, Timothy Watters, CFP® and Colin Watters, CFP® nor any employee has ever had or committed any disciplinary action.

Watters Financial Services, LLC, Timothy Watters, CFP® and Colin Watters, CFP® nor any employee has ever had any arbitration claims, civil or regulatory organization proceedings from for example FINRA, the Securities and Exchange Commission or the Board of Certified Financial Planners.

Item 10 Other Financial Industry Activities and Affiliations

Watters Financial Services, LLC and Timothy Watters, CFP® and Colin Watters, CFP® are not registered, nor have an application pending to register, as a broker-dealer or as a registered representative of a broker-dealer.

Both Timothy Watters and Colin Watters are recipients of the CERTIFIED FINANCIAL PLANNER™ Professional certification and are members of the Certified Financial Planner Board of Standards.

Timothy Watters and Colin Watters are members of the National Association of Personal Financial Advisors (NAPFA), the country's leading association of Fee-Only financial advisors. NAPFA-Registered Financial Advisors operate on a Fee-Only basis which means they do not sell insurance or financial products. Their compensation only comes directly from the client.

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

WFS complies with all applicable laws and regulations governing our practices. Our Code of Ethics includes guidelines for professional standards of conduct for our employees. Our goal is to always protect your interests and to demonstrate our commitment to our legal fiduciary duties of honesty, good faith, and fair dealing with you. Our Code of Ethics also requires that employees that have access to your investments ("access persons") submit quarterly reports of their personal account holdings and transactions. Additionally, we maintain and enforce written policies and procedures reasonably designed to prevent the misuse or dissemination of material, nonpublic information about you or your account holdings by persons associated with our firm. Our Code of Ethics is available to you upon request.

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure. We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted or required by law. While servicing your account, we may share limited information with our service providers, such as TD Ameritrade. We do not share your information unless it is required to process a transaction, at your request, or required by law. We may share information with your accountant or attorney, only if given permission by the client.

Internal access to nonpublic personal information is restricted to employees who need that information provide services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your information and to ensure confidentiality. We will never sell information about you or your accounts to anyone. There is no relationship or arrangement with any issuer of securities.

You will receive a copy of our Privacy Notice prior to meeting with us or at the time you sign a contract. All clients receive a copy of the Privacy Notice on an annual basis as well as an offer to receive this Form ADV Part 2A brochure.

Neither our firm nor any of our access persons has any material financial interest in client transactions beyond the provision of investment advisory services. Advisors and employees may buy or sell the same securities that are recommended or securities in which you are already invested. A conflict of interest exists in such cases because we can trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our employees nor advisors will have priority over your account in the purchase or sale of securities. We only purchase liquid investments which simply means that you can sell them anytime. We invest alongside our clients in the same mutual funds and exchange traded funds.

Item 12 Brokerage Practices

We recommend the brokerage and custodial services of TD Ameritrade Institutional, a securities broker-dealer and a member of the Financial Industry Regulatory Authority, the Securities Investor Protection Corporation, and the National Futures Association. Periodically we conduct extensive comparisons of the custodians and we believe TD Ameritrade provides "Best Execution". Factors we consider are the quality of the execution services, value of research provided, reputation in the industry, competitive prices, responsiveness to our clients and our firm. By aggregating all assets managed by WFS, clients have access to lower institutional transaction costs and access to funds with higher minimums to the retail investor.

TD Ameritrade Institutional provides services which include custody of securities, research, trade execution, clearance and settlement of transactions, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. The institutional platform offers products and services that assist WFS in managing and administering clients' accounts and:

- provides access to client account data and receipt of duplicate trade confirmations and account statements.
- facilitates trade execution of buy and sell transactions.
- provides research, pricing, and other market data and tools.
- advisory fees deducted directly from client accounts.
- assists with back-office functions, keeping records, and client reporting.
- provides access to a trading desk serving WFS.
- provides access to an electronic communications network for client order entry and account information.

- provides access to mutual funds with no transaction fees and to certain institutional money managers.

WFS may conduct block trades for discretionary accounts. Block trading is the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts. However, WFS usually executes transactions separately.

Item 13 Review of Accounts

Timothy Watters, CFP® and Colin Watters, CFP® will monitor your accounts on a continuous basis and will periodically conduct account reviews. The reviews are conducted to ensure the advisory services provided to you and the portfolio mix is consistent with your current investment needs, objectives, and agreed upon portfolio model. You can change at any time your portfolio model or restrictions by discussing it and signing a new Investment Guidelines form. You will receive trade confirmations and statements directly from TD Ameritrade. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals.
- year-end tax planning.
- market moving events.
- changes in your goals and objectives.
- security specific events.
- changes in your risk tolerance.
- changes to your restrictions or portfolio model.
- the percentage of stocks/bonds is no longer consistent with the portfolio model.
- life altering event such as a death, job loss, etc.
- required minimum distributions.

Item 14 Client Referrals and Other Compensation

WFS does not give or receive compensation for referrals to or from accountants or attorneys.

WFS is a Fee-Only firm. The definition of a Fee-Only is that the Advisor is compensated solely by the client with neither the Advisor nor any related party receiving compensation that is contingent on the purchase or sale of a financial or insurance product. The Advisor does not receive commissions, rebates, awards, finder's fees, bonuses, revenue sharing, or other forms of compensation from others because of a client's implementation of the recommendations.

WFS does not provide referrals to TD Ameritrade. WFS does not accept fees, commissions, or other remuneration from TD Ameritrade contingent on the execution of securities transactions.

By using TD Ameritrade as its custodian, WFS may receive a discount on software purchases, research, technology, or practice management products and services. TD Ameritrade usually provides a yearly conference. TD Ameritrade does not pay for our travel or our accommodations. The receipt of economic benefits in and of itself creates a potential conflict of interest and may influence our choice of TD Ameritrade for custodial services. The receipt of services from TD Ameritrade does not diminish our legal obligation and fiduciary duty to act in the best interests of our clients. It is also important to note that all custodians offer similar benefits.

Item 15 Custody

WFS directly debits the client's account for the payment of the advisory fees. This ability to deduct the advisory fees from the accounts means WFS exercises "limited" custody over the assets. WFS does not have physical custody of any of the funds and/or securities. The funds and securities are held with TD Ameritrade and the client receives account statements directly from TD Ameritrade at least quarterly. The account statements indicate the amount of advisory fees deducted from the account(s) each billing period. The client should carefully review the account statements for accuracy. If the client does not receive a statement directly from TD Ameritrade, they should contact WFS and TD Ameritrade.

Item 16 Investment Discretion

Unlike many other firms, WFS offers our clients the ability to have their assets managed on a discretionary or non-discretionary basis. The Investment Management contract signed by the client and the Advisor will indicate which option the client has chosen.

If you choose discretionary then the Advisor may purchase or sell a security for your account(s) without obtaining your consent or approval prior to each transaction.

If you enter a non-discretionary arrangement with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

In either case the client may impose certain restrictions, for example avoiding companies involved in fossil fuels or tobacco. These instructions are recorded in a signed Investment Guidelines form and can be changed at any time with a new form.

Item 17 Voting Client Securities

We do not provide advice or vote proxies on behalf of your advisory accounts. You are responsible for exercising your right to vote as a shareholder. You should receive proxy materials directly as we do not forward proxy materials to you.

Item 18 Financial Information

We are not required to provide a balance sheet as part of this disclosure document because the firm only has limited custody of client funds or securities, has not been the subject of a bankruptcy petition at any time, does not have a financial condition that is reasonably likely to impair our ability to meet our commitments, and does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

Item 20 Additional Information

WFS will neither advise nor act on behalf of the client in legal proceedings or bankruptcies involving companies whose securities are held in the client's account including the filing of "Proofs of Claim" in class action settlements.

WFS is neither a sponsor nor a portfolio manager to a wrap fee program.