

# Katz Family Financial Advisors, LLC

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## **PART 2A - APPENDIX 1 WRAP FEE PROGRAM BROCHURE**

*This wrap fee program brochure provides information about the qualifications and business practices of Katz Family Financial Advisors LLC, its wrap fee program, and its supervised personnel. Should you have any questions about the contents of this brochure, please contact the Firm immediately at the number above. 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. Please note, where this brochure may use the terms "registered investment adviser" and/or "registered", registration itself does not imply a certain level of skill or training. Additional information about the Firm and its representatives is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2 Summary of Material Changes**

The purpose of this Item 2 is to disclose material changes that have been made to this Wrap Fee Program Brochure since the last update of this Brochure.

Since the last annual update of this Brochure was dated March 27, 2020, there have been the following material changes:

- The Firm has applied for registration at the state level and is no longer registered with the Securities and Exchange Commission ("SEC")

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## **Item 4 Services, Fees, and Compensation**

The Katz Family Financial Advisors Program (the "Program") is a fee-only investment advisory program (the "Program") sponsored by Katz Family Financial Advisors, LLC. The Program provides individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and business entities the ability to trade in limited types of investments, including: individual debt and equity securities, mutual funds, index funds, exchange-traded funds, and other eligible securities (collectively "Eligible Securities") without incurring separate brokerage commissions or transaction charges.

100% of clients participate in the wrap fee program. The fee is 1% for all clients and all asset classes. Approximately 50% of the fee is paid to internal portfolio managers. The advisory fee is calculated based on the market value of the assets on the last day of the quarter and billed in arrears. This is a non-negotiable fee. 0% of the fee is paid to outside portfolio managers.

In addition to our Program Fee, you may also incur certain charges imposed by unaffiliated third parties. Such charges include, but are not limited to, custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund purchased for the Account which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), certain, odd-lot differentials, transfer taxes, and taxes on brokerage accounts and securities transactions. 12b-1 fees are not charged to clients. Additionally, other types of securities also have additional internal management fees. These securities include real estate trusts, business trusts, master limited partnerships, and structured certificates of deposit.

The Registrant offers its services for fees based upon assets under management. Prior to engaging the Registrant to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with the Registrant setting forth the terms and conditions under which the Registrant shall render its services (collectively the "Agreement").

The Registrant is the sponsor of the Katz Family Financial Advisors Program (the "Program"), a wrap fee program. The Registrant provides the majority of its investment management services solely through the Program. Upon participation in the Program, the Registrant shall provide its investment management services and arrange for brokerage transactions under a single annualized fee. For participants in the Program, the Registrant shall charge an annual fee based upon a percentage of the market value of the assets being managed by the Registrant that includes all commissions. Participants in the Program may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. Client who participate in our Program will pay the same wrap fee regardless of the number of trades made in your account. However, the portfolio manager will receive greater compensation from accounts that trade less frequently.

## **Item 5 Account Requirements and Types of Clients**

All clients participate in the wrap fee program, regardless of account size or type of client. Clients include individuals, pension and profit sharing plans, trusts, and estates. Services are also available to charitable organizations, and business entities.

## **Item 6 Portfolio Manager Selection and Evaluation**

Outside portfolio managers are not used. Accounts are managed by related persons, since no outside managers are used; there is not a conflict of interest in selection of outside managers versus related persons. There are no performance based fees for supervised persons acting as portfolio managers.

The Registrant's management using the investment strategy has been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly-managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following features have been specifically included in the Registrant's management using the investment strategy:

1. Initial Interview - an initial interview is conducted with each client to determine the client's financial circumstances, goals, acceptable levels of risk, any reasonable restrictions on the management of their account, and other relevant circumstances;
2. Individual Treatment - the client's account is managed on the basis of the client's financial circumstances and investment objectives.
3. Consultation - an Advisory Affiliate of the Registrant knowledgeable about the client's account shall be reasonably available to consult with the client relative to the status and management of their account.
4. Notice of Transactions - the client shall receive notice of all transactions in their account as if they had maintained a similar account outside of the program.
5. Monthly Statement - the client shall be provided with a monthly statement containing a description of all activity in their account.
6. Ability to Impose Restrictions - the client shall have the ability to impose reasonable restrictions on the management of their account, including the ability to instruct the Registrant not to purchase certain securities or types of securities.
7. No Pooling - the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the client's account;
8. Separate Account - a separate account is maintained for the client with the custodian; and
9. Ownership - each client retains indicia of ownership of the account (e.g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The Firm does not vote client securities. Clients will receive their proxies and other solicitations directly from the custodian or a transfer agent. Clients can contact Katz Family Financial Advisors with questions about a particular solicitation.

Katz Family Financial Advisors uses fundamental analysis in formulating investment advice or managing assets. Fundamental analysis involves analyzing individual companies and their industry groups. The analysis is based on, for example, the company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The risk in using fundamental analysis is that the information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. In order to reduce such risk, Katz Family Financial Advisors employs proprietary strategies to filter the universe of securities based on criteria for safety, quality, growth, and value. Strategies are used for all securities in which we invest, for example, common stocks, bonds, and funds.

Katz Family Financial Advisors primarily allocates its client's investment management assets, on a non-discretionary basis among individual debt and equity securities, mutual funds and exchange traded funds in accordance with the investment objectives of the client. Investing in securities involves risk of loss that clients should be prepared to bear. All assets purchased and held generally for more than one year, are traded on a major exchange, with common equity and debt risks. This also means information on these securities is commonly available to the public.

Different investment strategies involve different risks. Investment decisions will be based upon an analysis of each security to determine its quality, inherent risks and fit within the overall asset/liability management objectives of clients. These risks include the following:

- *Credit (default) risk*: The potential for failure of a debtor to make timely payments of principal and interest as they become due.
- *Liquidity risk*: The risk that a financial instrument cannot be sold or closed out quickly, at or close to its implicit economic value. As liquidity decreases, bid/offer spreads typically widen.
- *Interest rate risk*: The risk that interest rates will change, causing a decline in either the market price for the security or in its yield.
- *Prepayment risk*: The risk that the actual prepayment of principal is different from the expected prepayment speed assumptions, thereby affecting the actual market price and yield of the investment.
- *Market risk*: The risk that the market price of the security will decline substantially for reasons such as market price aberrations and changes in the supply and demand characteristics of a particular security market. Market risk is also used synonymously for Price Risk, which results from some of the previously listed sources as well as other financial variables to which a specific security may be linked for purposes of deriving its interest and principal cash flows.
- *Operating risk*: The potential for loss because of inadequate policies, procedures, controls, error, fraud, etc.

Material Risk associated with our investment strategies are as follows:

1. Equities - Market Risk. The current value of equity securities may decline in value due to market conditions.
2. Fixed Income Securities - Interest Rate Risk. The price of fixed income securities generally act in an inverse manner to interest rates. The price of these securities is generally lower when interest rates rise and are higher when interest rates fall.
3. Mutual Funds. These funds are subject to market risk and other risks noted in the fund's prospectus, and subject to additional fees.
4. Exchange Traded Funds. These funds are subject to market risk and subject to additional fees.

## **Item 7 Client Information Provided to Portfolio Managers**

Due to the fact that no outside managers are used in the Program, there is no information shared with outside managers. All portfolios are managed by Katz Family Financial Advisors, LLC and information provided the by clients to the firm is not shared externally.

## **Item 8 Client Contact with Portfolio Managers**

The investment adviser representatives of Katz Family Financial Advisors are available for client consultation at any time by client request. In addition, Katz Family Financial Advisors contacts participants in the Program on a regular basis as previously described in the Wrap Fee Program Brochure.

## Item 9 Additional Information

100% of clients are wrap fee clients. The Firm has no disciplinary actions. The Firm has no other industry activities or affiliations. Code of Ethics: All Associated Persons of the Firm must comply with applicable state and federal securities laws. In particular, it is unlawful for the Firm and any Associated Person, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly:

- To employ any device, scheme or artifice to defraud any client or prospective client of the Firm;
- To engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon any client or prospective client of the Firm; or
- To engage in any fraudulent, deceptive, or manipulative practice.

In adopting this Code, the Firm recognizes that it, and its affiliated persons owe a fiduciary duty to the Firm's client accounts and must (1) at all times place the interests of Firm clients first; (2) conduct personal securities transactions in a manner consistent with this Code and avoid any abuse of a position of trust and responsibility; and (3) adhere to the fundamental standard that Associated Persons should not take inappropriate advantage of their positions. In addition, the Firm and its Associated Persons must comply with all applicable federal securities laws, which shall generally be explained in the Firm's Compliance Manual. Associated Persons must report any violations of the Code of Ethics to the Firm's Chief Compliance Officer. All associated persons of the Firm invest in the same securities that are recommended to clients.

### Timing of Personal Transactions

No Access Person may purchase or sell, directly or indirectly, any Security in which the Access Person or an Affiliate Account has, or by reason of the transaction acquires, any direct or indirect Beneficial Ownership if the Access Person knows or reasonably should know that the Security, at the time of the purchase or sale (i) is being considered for purchase or sale on behalf of any Client Account; or (ii) is being actively purchased or sold on behalf any Client Account. If the Firm is purchasing/selling or considering for purchase/sale any Security on behalf of a Client Account, no Access Person may effect a transaction in that Security prior to the client purchase/sale having been completed by the Firm, or until a decision has been made not to purchase/sell the Security on behalf of the Client Account.

### Improper Use of Information

No Access Person may use his or her knowledge about the securities transactions or holdings of a Client Account in trading for any account that is directly or indirectly beneficially owned by the Access Person or for any Affiliate Account. Any investment ideas developed by an Access Person must be made available to Client Accounts before the Access Person may engage in personal transactions or transactions for an Affiliate Account based on these ideas.

### No Associated Person:

- while aware of material nonpublic information about a company, may purchase or sell securities of that company until the information becomes publicly disseminated and the market has had an opportunity to react;
- shall disclose material nonpublic information about a company to any person except for lawful purposes;
- may purchase any Restricted Securities, found on the Firm's Restricted Securities List for as long as the publicly traded company (or any member of its senior management) is a client of the Firm, unless expressly approved in advance by the Chief Compliance Officer.

**However, there is one exception to the above. Registrant conducts extensive research to arrive at buy and sell recommendations. As a last test of registrant's commitment to the recommendations, registrant's affiliates generally purchase or sell the recommended security in their own accounts prior to recommending the security to clients. This exception applies only to recommendations that are actively traded and registrant believes that such transactions have no impact on the security's price.**

Initial Public Offerings:

No Access Person may acquire any securities in an Initial Public Offering without first obtaining pre-clearance and approval from the Chief Compliance Officer.

Limited Offerings - No Access Person may acquire any securities in a Limited Offering without first obtaining pre-clearance and approval from the Chief Compliance Officer.

Review of Accounts:

Clients in the Program will receive a written report from Katz Family Financial Advisors that may include such relevant portfolio and/or market-related information such as an inventory of the investments in the client's portfolio on a monthly basis.

The Registrant monitors portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one or more of the Registrant's Principals. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Registrant and to keep the Registrant informed of any changes thereto. The Registrant shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Client Referrals and Other Compensation: The Firm does not provide compensation for any client referrals, or for any other purpose to any outside parties. Further, the Firm does not receive an economic benefit from a non-client for the provision of investment adviser or advisory services to the Firm's clients.

Financial Information: The Firm does not require any prepayment of fees. Fees are paid from client accounts, in arrears. The Firm has no discretionary authority and no custody of client funds other than the regularity requirement that client fees be paid from the account. We believe this provides a level of protection to clients in that excessive fees send an alert to the custodian. The Firm has not been the subject of a bankruptcy petition at any time.

## **Item 10 Requirements for State-Registered Advisers**

Neither our firm, nor any of our management persons have a material relationship or arrangement with any issuer of securities.