

Disclosure Brochure

March, 2023

# **Sierra Financial Advisory**

202 Providence Mine Road, Ste 202

Nevada City, CA 95959

530-470-8939

800-969-8939

530-470-8749 Fax

<https://www.sierrafinancialadvisory.com>

This brochure provides information about the qualifications and business practices of Sierra Financial Advisory. If you have any questions about the contents of this brochure, please contact us at 800-969-8939 or [joe@sierraadvisory.net](mailto:joe@sierraadvisory.net). 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 Sierra

Financial Advisory also is available on the SEC's website at

[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Registered Investment Advisor is a term that does not imply any particular level of skill or training

# Material Changes

There are no material changes.

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## Item 4: Advisory Business

Sierra Financial Advisory, Inc. (SFA) is a registered investment advisor. SFA is registered with the Securities and Exchange Commission (SEC). SFA was incorporated in 2004 by the current owner and sole shareholder, Joe Tomkiewicz.

### **Investment Philosophy**

**Our mission** is to provide tailored advice and investment management to help individuals realize their financial goals.

**The process begins with financial planning** when we sit down with you and get to know who you are and what you are working toward that requires financial resources. Together, we will define your current and long-term financial needs. From this information, we will design a realistic, personalized investment strategy and monitor the selected portfolio over time for proper asset allocation, risk exposure, and to assess actual performance against your original investment goals. Sierra Financial Advisory is an independent registered investment advisor with no proprietary products to promote or sell. Portfolios are designed with one objective in mind, to maximize the chances of our clients' success.

We view each of our relationships in the context of a process that evolves over time. If your financial situation changes, we will always be ready to adjust your portfolio. Our primary commitment is to your long-term financial success.

While we aim for capital appreciation, we also manage assets with the knowledge that our typical client has entrusted us with their nest egg. Our strategy is not designed to make our clients rich, but rather to help them maintain the lifestyle to which they have become accustomed.

SFA provides investment supervisory services to its clients. Compensation for these services may vary according to the agreement made with the client (see the Fees and Compensation section for details). The majority of the assets managed by SFA are on a discretionary basis. This means that SFA has the client's permission to make investment changes, buys and sells, on the client's behalf. If the client wishes to impose restrictions on certain types of securities, SFA will accommodate these wishes if they are feasible under the normal operation of business. Such restrictions should be approved by both the client and SFA and listed on the Advisory Agreement. SFA also manages assets on a non-discretionary or commission basis. These are transaction based accounts and require client permission for each trade. Approximately 98% of SFA's business is performed on a discretionary basis.

As of 01/01/2022,

Discretionary assets under management	\$94,489,259
Non-discretionary assets	\$ 3,224,754
Total Assets under management	\$98,714,013

Material conflicts of interest are disclosed in this document relating to SFA, its representatives, or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice. Please see Item 7 on page 8.

## Item 5: Fees and Compensation

There are three possible modes of compensation:

1. Financial Planning Services: This service is only available to Clients who intend to employ mode #3 listed below and pay for advisory services. SFA use to offer financial services as a separate service at an hourly rate. While that option is no longer available to new clients, current or former clients of SFA who have utilized the hourly payment option may continue to utilize this service option.
2. Commission-based compensation: In the course of business, investment advice may be provided on a non-fee basis with the compensation for such activity from sales commissions only. Normally, an advisory fee is not charged on assets that create a commission. Advisory fees, however, will be charged when consideration must be given to the breadth or depth of the service provided that goes beyond that required for transaction compensation by commission. At the initial conference with the client, an agreement will be completed stating the type of service to be rendered, the structuring of the fee, and the amount to be paid. A copy of the required brochure or ADV and disclosure material will be delivered by SFA to the client. Typically, a commission based product is recommended and used when the product has been determined by SFA to be suitable for the client and is only offered on a commission basis such as fixed annuities or long-term care insurance contracts. For insurance business, agents for SFA are licensed in CA, WA, and AZ and may only conduct such business in those states for insurance business unless additional licensing is obtained. When a commission-based product is recommended to the client, this may pose a conflict of interest to SFA and its agents, as commissions are usually paid up front and therefore offer a strong short-term incentive verses an ongoing fee arrangement. When a commission product is recommended, the client will be presented with and will be required to sign disclosure documentation as to the fees, surrender charges, and restrictions of the product in question.
3. Advisory Fees: Continued services for periodic portfolio review and updating, periodic financial plan review, newsletters, periodic financial advice, and account processing activities.

Compensation for this service is based on a percent of assets under management, to be billed quarterly. For accounts with TD Ameritrade Institutional as custodian, fees are charged in arrears of service. For accounts with LPL Financial as custodian, fees are charged in advance of service. The advertised fee schedule is disclosed below and on the advisory agreement. Fees are deducted from the accounts under management when possible. In the event that fees cannot be conveniently deducted from an account, an invoice for the fees will be sent to the client for payment by check. At the initial conference with the client, an agreement will be completed stating the type of service to be rendered, the structuring of the fee, and the amount to be paid. A copy of the required brochure or ADV and disclosure material will be delivered by SFA to the client either in hard copy or digital form.

The standard fee schedule is:

Value of Invested Assets*	Quarterly Fee	Annualized Rate
Up to \$100,000	0.375%	1.50%
\$100,001 to \$2,500,000	0.25%	1.00%
Over \$2,500,001	0.15%	0.60%

This fee schedule is a sliding scale. For example, the first \$100,000 of a portfolio would be charged 1.5% annually. The next \$2,400,000 is charged 1% annually up to a total portfolio size of \$2,500,000 and so forth. The result is that smaller portfolios pay a higher overall percentage fee than larger portfolios while larger portfolios pay a higher fee by dollar amount but a lower fee by percentage. These fees may be negotiable on a case by case basis. Sierra Financial Advisory believes that its advertised fee schedule is competitive in the marketplace based upon the service and expertise that is being rendered. Other providers that offer similar services may charge more or less than the fees charged by Sierra Financial Advisory.

SFA does not charge fees in addition to the schedule agreed upon by SFA and the fee-based client. However, additional costs to the client may include fees charged by the custodian for accounts held at their firm. These may include stock transaction fees, mutual fund transaction fees and early withdrawal penalties, annual maintenance fees, and special request fees such as money wires by fed funds. SFA utilizes TD Ameritrade Institutional and LPL Financial as custodians for fee-based accounts. For fee-based accounts, there are no loads or commissions charged on mutual fund purchases. Funds that normally charge an up-front commission waive the fee for institutional clients. Each fund has its own set of operating expenses to support each fund's management team and business structure. Fund fees vary greatly from fund to fund. The client will not see these fees deducted from their portfolio as they are taken from fund investments before net returns are calculated and reported by the fund. However, the client of SFA still pays for these fees through their investment portfolio and these fees are in addition to the fees charged by SFA. SFA attempts to minimize ancillary fees charged by a custodian and will make recommendations to that effect. Although SFA recommends TD Ameritrade Institutional or LPL Financial, SFA is also capable of managing accounts held at other firms. SFA does not receive perks or incentives for utilizing and recommending TD Ameritrade

Institutional or LPL Financial.

The client has the right to terminate the investment advisory agreement by written request.

SFA may also terminate the agreement at any time by giving the client written notice.

Remaining advisory fees due will be billed on a pro rata basis for the final quarter billing period if fees to the client were charged in arrears. Any fees paid in advance will be refunded on a pro-rata basis based upon the unused portion of the quarter.

## Item 6: Performance-Based Fees

SFA does not offer a performance-based fee structure.

## Item 7: Types of Clients

The client base of SFA is composed primarily of individuals and family accounts. In addition, SFA manages accounts for small business retirement plans, trusts, estates and charitable organizations, and small business corporations. Minimum portfolio size for advisory management is \$500,000 per client or household. This minimum is a total aggregate of assets to be managed and is not a required balance for each individual client account. SFA may accept clients with less than \$500,000 of investable assets on a case by case basis.

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

Clients of SFA should be aware that investing involves the risk of loss. In general, the higher the potential for gain that exists in an investment, the higher the risk for loss that also exists.

SFA primarily uses mutual funds and exchange traded funds (ETFs) in its investment management strategy. SFA employs a method of selecting funds to provide an asset allocation for client portfolios that corresponds to the client's stated risk tolerance. It is the preference of SFA to utilize mutual funds that historically minimize losses when markets are negative compared to similar funds in the same peer category. This poses the risk of underperformance. The funds in a client's portfolio may underperform similar funds in the same category for extended periods of time, especially in protracted bull markets. It is the tenant of SFA that, over time, minimizing losses during bear markets will reward the client with lower volatility while providing the target return. SFA utilizes a long-term investment strategy and does not implement market timing, where investments are bought and sold based upon the projected future direction of the market. This means that investments will remain funded even when they are dropping in value and more money may be added to a declining investment to



rebalance a portfolio. SFA holds that attempting to time the market with buys and sells is a losing long-term investment strategy. SFA may utilize an investment strategy that moves assets in relation to projected areas of opportunity in the markets. For example, a portfolio may be under-weighted in market sectors where analysis suggests future weakness and may be over-weighted in market sectors where analysis suggests future strength. Risks to this approach involve an incorrect assessment of investment opportunities in market sectors. Mutual funds offer asset allocation and diversification, but are still subject to market risk. If the stock and bond markets are declining in value, the client should expect that corresponding fund investment in a portfolio will also drop in value. It is the intent of SFA to mitigate the extent of these declines and will choose fund managers that historically have provided downside protection, but this is no assurance that this goal will be accomplished as past performance is not a guarantee of future results.

SFA also may recommend and invest in individual stocks and bonds on behalf of client portfolios. Fundamental Analysis is a method of evaluating a security to measure its value. Economic conditions, company management changes or decisions, earnings reports and estimates, and balance sheet information are examples of data that may be collected during fundamental analysis in an attempt to assess the securities intrinsic value and to compare it to the market value to determine if the security is fairly valued, undervalued or overvalued. SFA utilizes fundamental analysis and subscribes to outside sources for stock research to complement its own research. There are risks associated with relying on fundamental analysis for investing. Just because the numbers for a company look good on paper, the price of the company's stock may not fall in line with the fundamental conclusions. Market movement may move contrary to what fundamental analysis suggests for short or long periods of time. Also, although the goal of fundamental analysis is to calculate the intrinsic value of a stock, those calculations may be erroneous. Numbers used in fundamental analysis are always looking back at historical norms and attempt to calculate present and future values. There are times when historical norms do not predict future stock behavior. Owning individual stocks and bonds does not allow for diversification to the same extent offered by mutual funds. The result may be that individual stocks and bonds may increase the volatility of a portfolio, providing potential for more appreciation but also presents a greater risk of loss. In addition to risks presented by mutual fund and exchange traded fund investing, individual stocks and bonds are subject to specific company or entity risk that cannot necessarily be predicted by any analysis system.

Despite correct planning and best efforts, clients of SFA should be aware that there is no guarantee that an investment portfolio will attain the client's goals and may lose money over its investment life.

## Item 9: Disciplinary Information

There have been no legal or disciplinary events related to the advisory business of SFA since its inception in 2004. Prior to the creation of SFA in 2004 there were two events, both of which occurred in 2000 and were resolved in 2005 and 2006 respectively that involved the owner of SFA, Joe Tomkiewicz.

NASD case # 05-00502. The client alleged that in March of 2000 his account was subjected to unsuitable investment recommendations and that the broker-dealer, Prudential Securities did not provide ample supervision of portfolio activity. The client also alleged that documentation regarding his investment profile was improperly changed. The funds in question in this case were within a variable annuity. The client's initial claim was for \$129,000. The case was settled in mediation for \$55,000. Mr. Tomkiewicz believes that he acted properly and appropriately at all times with respect to the handling of this account. He was not asked to contribute to the settlement of this case.

NASD case #05-00435. The client alleged that between 2000 and 2001, their portfolio was unsuitably invested in high risk equity and funds. The client's initial claim was for \$400,000. This claim went to arbitration and the client was awarded \$140,000. The client who made the investment decisions deceased in 2002. The case was brought by the client's widow. Prudential Securities, the broker dealer involved in this case along with the agent, Mr. Tomkiewicz, did not produce vital documents that would have corroborated and strengthened our case. Mr. Tomkiewicz was not asked to contribute to the settlement of this case.

Both of the cases mentioned above occurred early in the career of Mr. Tomkiewicz and during the now termed "tech wreck" of 2000 through 2002. This was a difficult time in the market for all involved, but it was also a learning experience that has laid the groundwork for the current investment philosophy and style of Mr. Tomkiewicz and SFA (See Methods of Analysis and Investment Strategy). Given the same client with the same investment goals today, Mr. Tomkiewicz would handle both clients differently and likely would choose not to take the individuals as clients at all. As a registered investment advisor, SFA has a fiduciary duty to its clients to do what is in the client's best interest. In a situation where the client wishes to invest in a way that SFA deems to be financially dangerous or inappropriate for the client's situation, SFA may either sever the relationship in the case of an existing client or not initiate a management agreement for a prospective client.

## Item 10: Other Financial Industry Affiliations or Activities and Potential Conflicts of Interest

Joe and Mike Tomkiewicz are financial advisor affiliates of SFA. Both hold an insurance license and may transact insurance related business for clients in life and long-term care insurance and annuities. Both have the capability of transacting health insurance as well, but do not do so at this time.

Business transacted by insurance companies with either advisor individual as agent, compensate SFA on a commission basis. This may present a conflict of interest as up front commission sales can be an attractive incentive for promoting a product. In cases when a commission product is deemed to be the best fit for the client's needs and is recommended to the client by SFA, there will be disclosure as to the nature of the investment, the fees being charged, any surrender or withdrawal penalties that exist, and the fact that the product is a commission and not a fee based investment. For clients that are fee based but also have commission based products in their portfolio, reporting by SFA will still include all of the assets in the client's portfolio together and does not differentiate between commission and fee based investments. Commission based assets, however, are excluded from fee-based billing, and the quarterly billing statement that accompanies the quarterly report will reflect this.

A conflict may exist when a financial plan is presented to the client that includes investment recommendations that may be managed by SFA. Although SFA only provides financial planning services to those who intend to become advisory fee paying clients of SFA, the client is under no obligation to act upon the recommendations of Sierra Financial Advisory. If the client decides to implement any or all of the recommendations, the client is under no obligation to effect the implementation through SFA.

Some mutual funds and exchange traded funds trade for no transaction fee at LPL. Because SFA pays for transaction fees at LPL, efforts are made to select the best funds that trade without a transaction fee. This is done because the fees for transactions across client accounts becomes cost prohibitive. SFA believes that the fund selection available at LPL for no transaction fee is sufficient, but clients should be aware that many funds are not available at no transaction fee and, therefore, the fund menu for client portfolios may be more limited than it might be at another custodian. At TD Ameritrade Institutional, clients pay all transaction fees. SFA will analyze for the best fund class for the client based upon expected holding time and investment size to determine the fund class purchased.

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

SFA maintains a code of ethics relating to its fiduciary duty to its client base. SFA holds client information confidential and strives to protect sensitive client financial information. A copy of SFA's code of ethics is available upon request.

SFA and its employees may buy or sell securities for personal accounts that it also recommends to clients. Transactions for client accounts take priority over personal accounts of those affiliated with Sierra Financial Advisory by way of employment or ownership. In the case of a purchase or sale order recommended to advisory clients, SFA affiliated accounts will have last opportunity to exit or enter an equity position. Where possible, bulk orders will be placed for buy or sell orders that include a group of client accounts, including accounts of SFA related parties. Bulk orders group all of the individual orders together so that all of the individual orders receive the same pricing, thus eliminating the possibility of some accounts getting favorable pricing because of purchase or sale pricing. Bulk orders are not always possible, however, and to avoid favoritism or the appearance of favoritism, accounts are systematically assessed and rebalanced on a regular schedule. The timing of one client's portfolio changes compared to another are a consequence of SFA's analysis schedule. SFA will group clients by risk tolerance and rebalance accounts individually one group at a time.

SFA and its employees do not hold board member or ownership positions in any securities that it recommends to its clients that might create a conflict of interest. Investment choice is determined by research only, by what SFA determines is a fit for client portfolios.

## Item 12: Brokerage Practices

SFA routinely recommends TD Ameritrade Institutional or LPL Financial as custodians for investment advisory accounts. SFA receives no compensation for utilizing TD Ameritrade Institutional or LPL Financial. For convenience of account management and for business efficiency, SFA prefers that advisory accounts custodian at TD Ameritrade Institutional or LPL Financial, but if a client feels strongly about holding their account elsewhere, an exception can be made on a case by case basis. For example, SFA may manage a 401k account on a client's behalf that must remain at the client's current employer's custodian. It is also believed that TD Ameritrade Institutional and LPL Financial are low-cost providers of custodial services. However, there may be custodians that offer better pricing than TD Ameritrade Institutional or LPL Financial. This may result in a higher cost to clients. Likewise, if a client chooses a different custodian, costs may increase for the client and SFA may be unable to achieve most favorable execution of client transactions. For example, the chosen custodian may charge higher transaction fees or higher account fees.

As mentioned above under client transactions, orders are aggregated when possible as bulk orders. Bulk orders do not affect the cost per transaction, but are performed for expediency of execution and uniform pricing.

SFA does not participate in soft dollar programs or spending account programs in order to obtain privileges in exchange for business activity. SFA also does not accept marketing funds from investment companies that promote their services to SFA. SFA holds this policy in order to eliminate the conflict of interest that can arise when choosing an investment for a client portfolio. SFA does not want to have an incentive to buy positions that are not the best choice for the client. By refusing credit accounts or marketing budgets from third party entities, SFA eliminates these conflicts of interest. Any research tools or marketing program that SFA utilizes are funded and paid for solely by SFA.

SFA does not participate in a broker-dealer referral program.

## Item 13: Review of Accounts

Account reviews of Investment advisory accounts are conducted on a regular basis to monitor portfolio holdings and to assess proper asset allocation. Generally, account monitoring and analysis occur quarterly.

Model Portfolios are constructed to match client risk tolerances. There are four Models designed by SFA: Very Conservative, Conservative, Moderate, and Moderately Aggressive. Client portfolios will be measured against the model portfolios for overall market exposure and asset allocation. SFA recommends a Client Review annually and more frequently as dictated by changes in client objectives, time horizons, risk levels, as well as macro - economic conditions. Client reviews may be in person or by phone. The purpose of a client review is to assess the client's portfolio based upon available client information and to assess any material changes in client goals, life disposition, or risk tolerance that might call for portfolio changes. Clients of SFA should notify SFA of significant life changes that could effect investment direction and decisions. Individual security and overall portfolio performance is also analyzed and compared to any planning forecasts that were previously set.

SFA will be available for client initiated questions during regular business hours, 9 a.m. to 4 p.m. Updated portfolio reports are delivered to clients on a quarterly basis. Reports are designed by SFA to be user friendly and brief, yet still contain the vital information most investors want to track. Portfolio asset allocation, portfolio balance, return net of fees, individual account balance, a record of net deposits and withdrawals, and recent position performance are included in the standard quarterly reports. The purpose of the reports is to monitor the progress of client portfolios compared to pre-determined goals and objectives. SFA will provide additional reports upon request at no additional cost to the client.

## Item 14: Client Referral and Other Compensation

SFA does not receive referral fees from nor does SFA pay referral fees to any outside entity, individual, or business.

## Item 15: Custody

SFA does not have custody of client funds or securities. SFA has a limited power of attorney on all fee-based Investment advisory accounts. This only enables SFA to make portfolio buy and sell decisions on behalf of its clients and to bill client accounts for investment services. SFA does not have the ability to unilaterally move portfolio assets from one custodian or broker/dealer to another or to take physical possession of client assets. The client will receive account reports from the custodian, on a regular basis. Reports from SFA will be sent to the fee-management clients on a quarterly basis and will aggregate client information from all of their accounts from different account custodians, if applicable. The reports from SFA to the client are a redundancy of the information being sent to the client by the custodian and are provided for client convenience and to aid in aggregate portfolio analysis. If there is a discrepancy between the reported numbers by SFA versus the account custodian, the client should rely on the information provided by the custodian. Discrepancies may occur due to the timing of the recording of a dividend, interest payment, account deposit or withdrawal, especially if such an entry is at the end of a month or reporting period.

## Item 16: Investment Discretion

SFA does accept discretionary authority to manage securities accounts on behalf of clients. Clients must acknowledge and assign SFA limited Power of Attorney to execute trades on behalf of the client in order to open an account at TD Ameritrade Institutional or LPL Financial. The Power of Attorney authorization is signed by the client on the TD Ameritrade Institutional Account Application. Under the normal course of business, clients do not limit SFA discretionary authority on accounts. If the client wishes to impose restrictions on certain types of securities or, more typical, wishes to hold and not sell a certain position in their portfolio, SFA will accommodate these wishes if they are feasible under the normal operation of business. Such restrictions should be approved by both the client and SFA and listed on the Advisory Agreement. For accounts that are non-discretionary and commission based, such as fixed annuity insurance products, SFA does not have investment discretion and must obtain the signature of the client to change the nature of the investment.

## Item 17: Voting Client Securities

Individual stock and mutual fund positions may periodically issue proxy votes to shareholders. SFA will not vote proxies for its clients. Each client is responsible for proxy voting or for assigning the proxy voting to the issuing company's board of directors. Clients will receive proxies or other solicitations directly from their custodian or transfer agent. Clients may contact SFA for consultation on such solicitations.

## Item 18: Financial Information

Advisors that charge advisory fees 6 months or more in advance of service are required to report a balance sheet for the previous year. Sierra Financial Advisory does charge or collect advisory fees in advance, but only for the current 3-month or quarterly period of service. As a result, Sierra Financial Advisory is not required to provide a balance sheet.

SFA did qualify for the Payroll Protection Plan, PPP, and received government funds in the form of a loan during the period of societal and economic shut-down due to Covid-19 in April, 2020. Based upon the parameters of the PPP, SFA has qualified for loan forgiveness for all of the proceeds.

## Item 19: Business Continuity Plan

Sierra Financial Advisory has a business continuity and contingency plan in place designed to respond to significant business disruptions. These disruptions can be both internal and external. Internal disruptions will impact our ability to communicate and do business, such as a fire in the office building. External disruptions will prevent the operation of the securities markets or the operations of a number of firms, such as earthquakes, wildfires, hurricanes, terrorist attack or other wide-scale, regional disruptions. Our continuity and contingency plans have been developed to safeguard employees' lives and firm property, to allow a method of making financial and operational assessments, to quickly recover and resume business operations, to protect books and records, and to allow clients to continue transacting business. The plan includes:

- Alternate locations to conduct business
- Back-ups of records
- Alternative means of communications
- Alternative lead advisor in the event that Joseph Tomkiewicz is temporarily or permanently unable to act as investment advisor representative for SFA.

Our business continuity and contingency plan is reviewed and updated on a regular basis to ensure that the policies in place are sufficient and operational.