

# Katz Family Financial Advisors LLC

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**March 22, 2023**

## **FORM ADV PART 2A BROCHURE**

*This brochure provides information about the qualifications and business practices of Katz Family Financial Advisors LLC, its wrapped fee program, and its supervised personnel. If you have any questions about the contents of this brochure, please contact us at the phone number listed 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 Material Changes**

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

Since the last Annual Updating Amendment Filing dated March 23, 2022, the firm has the material change to report:

Item 4 - Advisory Business - The Firm's ownership structure has been updated to reflect Mark Katz as the sole owner. This change is reflected in conjunction with the Firm's Form ADV Part 1 Filing.

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## Item 4 Advisory Business

Katz Family Financial Advisors, LLC ("Registrant" or "Firm") is an investment adviser providing investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. Katz Family Financial Advisors is owned by Mark Katz. It has been in business, as an LLC since 2004. Prior experience in the securities industry by each of the owners is listed below. The Registrant offers its services for fees based upon assets under management. Prior to entering into one or more agreements (collectively the "Agreement") with the client, the Registrant meets with the client to discuss the client's financial situation, investment objectives, risk/reward tolerances, and investment restrictions. Based on the information gathered, the Registrant designs an investment strategy for the client, and with the client's consent, implements the strategy.

The Registrant's investment advisory services are currently limited to non-discretionary management of investment portfolios in accordance with the investment objective(s) of the client. Clients may impose reasonable restrictions on investing in certain securities or types of securities. As of February 16, 2023, total assets managed are \$81,018,000 in non-discretionary assets. Non-discretionary management of investment portfolios means Katz Family Financial Advisors will make investment recommendations to clients, but the client reserves the right to accept or reject the recommendations made for his or her own account. Katz Family Financial Advisors may not place a trade for a client's account without the client's consent. 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. All clients currently participate in the wrap fee program described below.

The Registrant may provide other consulting services as part of its investment management services. To the extent specifically requested by a client, the Registrant may provide limited consultation services to its investment management clients on investment and non-investment related matters. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which the Registrant will not receive additional compensation. The client is under no obligation to act upon the investment adviser's recommendation. In addition, the Registrant may provide limited financial planning and seminar services.

The Registrant is the sponsor of the Katz Family Financial Advisors Program (the "Program"), a wrap fee program. The Registrant provides 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 market value of the assets being managed by the Registrant that includes all commissions.

The Registrant receives this fee for the management services it provides to participants in the Program, who may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the Program's terms and conditions (including fees) are contained in the Program's wrap fee brochure.

## Item 5 Fees and Compensation

If engaged, Katz Family Financial Advisors shall charge an annual fee of 1% based upon a percentage of the market value of the assets on the last day of the quarter. The annual fee is charged quarterly, in arrears, and is deducted directly from client accounts. The Registrant's 1% annual fee is an all-

inclusive fee for investment advisory services, brokerage commissions, transaction fees, and other related costs and expenses all of which would normally be borne by the client. In addition, the Registrant shall not receive any portion of the commissions, fees, and other costs. The Firm uses Fidelity Investments for all brokerage practices and custodian services. See Item 12, Brokerage Practices, for additional brokerage information.

The annual management fee is a non-negotiable fee. Lower fees for comparable services may be available from other sources. 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, transaction fees, charges imposed directly by a mutual fund, index fund, real estate investment fund, business trust, master limited partnership, structured certificate of deposit, 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), fees imposed by variable annuity providers and disclosed in the annuity contract, certain deferred sales charges, odd-lot differentials, transfer taxes, and other fees and taxes on brokerage accounts and securities transactions. 12b-1 fees are not charged to clients. Neither the Firm nor the supervised persons accepts compensation for the sale of securities or other investment products.

All material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the investment adviser, its representatives, or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

Clients should be aware that exchange traded funds ("ETFs") incur a separate management fee, typically 0.20%-0.40% of the fund's assets annually (although individual ETFs may have higher or lower expense ratios), which is assessed by the fund directly. This management fee is in addition to the ongoing advisory fee assessed by us, and will generally result in clients which utilize Investment Strategy that invests in ETFs, paying more than clients utilizing one that does not invest in ETFs. Clients should also be aware that other types of securities also have separate internal management fees. Registrant on occasion recommends mutual funds, index funds, real estate investment trusts, business trusts, master limited partnerships, structured certificates of deposit, and exchange traded funds.

Clients 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. A complete description of the Program's terms and conditions (including fees) are contained in the Program's wrap fee brochure. The Firm does not require and will not accept any prepayment of fees.

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

The Firm does not charge any fee based upon a percentage of capital gains within a client's account (performance-based fee). The Firm does not engage in side-by-side management.

## **Item 7 Types of Clients**

Katz Family Financial Advisors, LLC (the "Firm") is an investment adviser providing investment management services to individuals, pension and profit sharing plans, trusts, and estates. Services are also offered to charitable organizations, corporations and other business entities. There are no minimum requirements for opening or maintaining an account.

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

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, funds, preferred stocks, bonds, and certificates of deposit.

Katz Family Financial Advisors 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. Most 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.

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. Quarterly Statement - the client shall be provided with a quarterly 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).

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, including fees.
4. Exchange Traded Funds - These funds are subject to market risk.

## **Item 9 Disciplinary Information**

The Firm has no disciplinary actions.

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

The Firm has no other industry activities or affiliations.

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

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.

A copy of the Code will be provided to you upon request.

### ***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.

However, there is one exception. 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.

### ***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 non-public 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 non-public 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.

The only exceptions to this paragraph are those actively traded securities that are purchased as part of the research process, See above Timing of Personal Transactions paragraph.

### ***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.

***Conflicts of Interest***

Opportunities for conflicts of interest can arise when advisors and clients invest in the same securities. A conflict of interest exists in such cases the Advisor may the ability to trade ahead of its clients and potentially receive more favorable prices than its clients will receive. To mitigate this conflict of interest, it is the expressed policy of the Advisor that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

**Item 12 Brokerage Practices**

The Firm uses Fidelity Investments for all brokerage practices and custodian services. The Firm considers various factors when selecting a broker-dealer including price, speed of execution and effectiveness in clearing and settling trades. Not all advisers require their clients to use a specific brokerage firm. By directing brokerage to Fidelity only, the Firm may be unable to achieve most favorable execution of client transactions and this practice may cost clients more money, due to the single brokerage used. Fidelity does not provide any client referrals to the Firm. With our Program, clients do not pay any further commissions to Fidelity or to any other organization. There are no soft dollar arrangements, other than the usual services provided to transact and custodian the client's accounts, between the Firm and Fidelity or with any other organization. This includes research, seminars, referrals, or any other activity. The firm receives a benefit because it does not have to pay for the research, products or services. The firm may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the client's interest in receiving the most favorable execution.

Katz Family Financial Advisors does not aggregate any trades. We trade each client account individually. By not aggregating trades, clients who receive individual executions may pay higher prices for securities transactions than if they were aggregated. There are no arrangements related to research provided, soft dollar arrangements, or brokerage for client referrals.

**Item 13 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 for overall performance and individual portfolio position performance as part of an ongoing process. Regular account reviews are conducted on a periodic basis, at a minimum annually with the client. Such reviews are conducted by one or more of the Registrant's Principals, Lawrence Katz and Mark Katz. 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.

## **Item 14 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.

## **Item 15 Custody**

Katz Family Financial Advisors is deemed to have limited ("constructive") custody of client assets because it deducts advisory fees from client accounts.

As per State Regulations, an investment advisor is not required to obtain an independent verification of client funds and securities maintained by a qualified custodian if all of the following are met:

1. The investment advisor has custody of the funds and securities solely as a consequence of its authority to make withdrawals from client accounts to pay its advisory fee;
2. The investment advisor has written authorization from the client to deduct advisory fees from the account held with the qualified custodian;
3. Each time a fee is directly deducted from a client account, the investment advisor concurrently:
  - a. Sends the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account; and
  - b. Sends the client an invoice or statement itemizing the fee. Itemization includes the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee. The invoice will notify the client that the custodian will not be checking the accuracy of the fees and this responsibility is the client's.
4. The investment advisor notifies the commission in writing that the investment advisor intends to use the safeguards provided above.

All assets of the Firm are held by Fidelity as custodian. Clients will receive account statements, at a minimum quarterly, from the custodian and clients should carefully review those statements. Please compare the account statements received from the qualified custodian with those received from Katz Family Financial Advisors. Fees are deducted directly from client accounts at Fidelity, in arrears. No prepayment of fees to Katz Family Financial Advisors is made.

## **Item 16 Investment Discretion**

The Firm has no discretionary accounts.

## **Item 17 Voting Client Securities**

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 via e-mail directly to your individual advisor or by phone (301-961-6030) with questions about a particular solicitation.

## **Item 18 Financial Information**

The Firm does not require any prepayment of fees. There are no conditions that are reasonably likely to impair the Firm's ability to meet contractual commitment to clients. The Firm has not been the subject of a bankruptcy petition at any time.

## **Item 19 Requirements for State-Registered Advisers**

Katz Family Financial Advisors is owned by Lawrence Katz (20%), and Mark Katz (80%). It has been in business, as an LLC since 2004. Prior experience in the securities industry by each of the owners is listed below.

### **LAWRENCE W. KATZ**

Born 1938

Post-Secondary Education: Southern Illinois University - 1979, MBA, Finance.

Polytechnic Institute of Brooklyn-1958, Bachelor of Electrical Engineering, Computers, and Automation

Recent Business Background: Katz Family Financial Advisors, LLC, Managing Member, 03/2005 - Present

### **MARK E. KATZ**

Born 1964

Post-Secondary Education: Ithaca College - 1986, BS, Psychology

Recent Business Background: Katz Family Financial Advisors, LLC, Managing Member, 03/2005-Present

Neither Lawrence W. Katz nor Mark E. Katz are actively engaged in any other business besides providing investment advice through the Firm. Neither the Firm nor any supervised persons are compensated for advisory services with performance-based fees. Neither the Firm nor any management persons have any disclosure events. In addition, neither the Firm nor any management persons have any relationship or arrangement with any issuer of securities.

## **Item 20 Miscellaneous**

The Firm prohibits the release of any client-related non-public or personal information to third parties unless authorized by the client or as otherwise provided by law. A copy of the Firm's privacy policy will be made available for review to any client (prospective or otherwise) upon request. In the event of a disruption in service, the Firm has also implemented certain business continuity planning procedures. A copy of these procedures may be reviewed by contacting the Firm directly.