

Form ADV Part 2A  
Brochure for:

Summit Financial Advisors, LLC

1700 S. El Camino Real, Suite 385  
San Mateo, CA 94402

Phone: 650-357-9410

Email: [info@summit-advisors.com](mailto:info@summit-advisors.com)

Web: [www.summit-advisors.com](http://www.summit-advisors.com)

November 29, 2023

SEC#: 801-58179

CRD#: 109280

Please note that the use of the term "registered investment adviser" and description of Summit Financial Advisors, LLC and/or our associates as "registered" does not imply a certain level of skill or training.

You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.

This brochure provides information about the qualifications and business practices of Summit Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact us [info@summit-advisors.com](mailto:info@summit-advisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Summit Financial Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2: MATERIAL CHANGES FOR PART 2A**

Assets Under Management (AUM)

Updated (10/31/2023 values) in Items: 4, 18

Removal of Mark Pietrofesa - Part 2B

Removal of Rafael Velez' insurance agent status / updated OBA – Part 2B

Addition of DPL and Capital Group/American Funds offerings – Item 5

## ITEM 3: TABLE OF CONTENTS

### Contents

ITEM 2: MATERIAL CHANGES FOR PART 2A .....	2
ITEM 3: TABLE OF CONTENTS .....	3
ITEM 4: ADVISORY BUSINESS.....	4
ITEM 5: FEES AND COMPENSATION.....	6
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	8
ITEM 7: TYPES OF CLIENTS .....	8
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	9
ITEM 9: DISCIPLINARY INFORMATION .....	10
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	10
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	10
ITEM 12: BROKERAGE PRACTICES.....	13
ITEM 13: REVIEW OF ACCOUNTS .....	17
ITEM 15: CUSTODY .....	18
ITEM 16: INVESTMENT DISCRETION.....	19
ITEM 17: VOTING CLIENT SECURITIES.....	19
ITEM 18: FINANCIAL INFORMATION .....	20
Form ADV - Part 2B Brochure Supplement - Velez .....	21

## ITEM 4: ADVISORY BUSINESS

Summit Financial Advisors, LLC ("SFA")

Established in 1998, A Privately Held Limited Liability Company

Principal owner(s): Rafael O. Velez, III

Total Assets Under Management (AUM):

\$398,322,173 as of 10/31/2023, of that,

\$49,431,405 is in Discretionary Accounts

\$348,890,768 is in Non-Discretionary Accounts

Types of services provided:

- Financial Planning
- Investment Supervisory Services
- Investment Advice through client consultations
- Also provides advice to clients on matters not involving securities

SFA offers investment advisory services for:

- A percentage of assets under management
- Hourly charges
- Fixed Fees

### **Advisory Business Description:**

SFA offers a wide range of advisory services to its clients. These services include review of all aspects of an individual's current financial situation, with emphasis on investment planning, retirement, college funding, capital needs analysis, long term care analysis, income and estate evaluation. To the extent that other services are needed, SFA will assist the individual in those areas in which it is competent to advise. As a follow up, SFA will also coordinate implementation of any recommendations made, including referral to other practicing professionals whose services may be required.

Upon review of an investor's financial status, the company may propose that the investor include, as part of his or her financial portfolio, one or more types of products that are not part of the investment advisory services provided by the company, such as insurance products. If the investor chooses to include such a product in his or her financial portfolio, the company recommends that the investor work closely with his or her attorney, accountant, insurance agent and other related professionals. Incorporation of the non-advisory financial product into the investor's financial plan is entirely at the client's discretion.

The initial step in the financial planning process involves meeting either the client to define the scope of the engagement. Once defined, the client and SFA will enter into a Financial Planning Agreement, disclosing the terms of the engagement and the fees to be charged.

After the engagement is formalized, the client may be requested to provide SFA with necessary financial information, including information on sources of income, assets owned, liabilities payable, estate planning documents, business agreements, employee benefits, income tax returns, investments, personal and family obligations. In addition, the client will be requested to provide financial goals and objectives, both short and long term.

The Investment Adviser Representative ("IAR") will set a target date for the anticipated completion of the plan. Upon completion, a personal presentation of the written plan will be made. At this meeting, the client will be provided with recommendations compatible with the established goals and objectives. An implementation schedule will be reviewed to determine which steps will be pursued and with whom those steps can be accomplished. The client is under no obligation to use SFA and/or its affiliates and may choose to implement all of the recommendations in any manner, which is expedient, and in the client's best interest.

For insurance products, the company provides access to a platform of insurance products by DPL Financial Partners, LLC ("DPL"). The investor is under no obligation to use DPL's service, and may seek insurance advice from any licensed agent. The insurance products and fee structures available from DPL may differ from those available from other third-party insurance agents. The company recommends that the investor fully evaluate products and fee structures to determine which arrangements are most favorable to the investor prior to making an investment decision. The company does not receive compensation for insurance products selected by the investor, whether secured through DPL or any other agent.

### **SF Portfolio Strategies ("SFPS"):**

We offer an automated investment program ("SFPS") through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds ("ETFs") and a cash allocation. The client may instruct us to exclude up to three ETFs from their portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co. ("Schwab"). We use the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of Schwab., to operate the SFPS. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, "Schwab"). We, and not Schwab, are the client's investment advisor and primary point of contact with respect to SFPS. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of SFPS for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with Platform, which consists of technology and related trading and account management services for SFPS. The Platform enables us to make SFPS available to clients online and includes a system that automates certain key parts of our investment process (the "System"). The System includes an online questionnaire that

helps us determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that we will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

We charge clients a fee for our services as described in *Item 5 Fees and Compensation*. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to Schwab as part of SFPS. Schwab does receive other revenues in connection with SFPS.

We do not pay SPT fees for SFPS so long as we maintain \$100 million in client assets in accounts at Schwab that are not enrolled in SFPS. If we do not meet this condition, then we pay SPT an annual licensing fee of 0.10% (10 basis points) on the value of our clients' assets in SFPS. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in SFPS be maintained with Schwab.

## ITEM 5: FEES AND COMPENSATION

Fees charged for the full financial planning service will be dependent on the anticipated time and complexity of the plan. The fees are determined in advance and disclosed to the client prior to the time the Financial Planning Agreement is executed. Rarely will a fee quoted depart from the established fee schedule but exceptional circumstances may dictate a higher or lower fee.

Specific services and fee amount:

- Hourly fees for plan development or consultation -- \$500
- Fixed fees for plans will be between \$1,000 and \$10,000.

Asset Management Services:

### **Summit Private Account ("SPA")**

A fee-based account(s) held by Schwab Advisor Services™ in which the client is provided with ongoing investment advice and monitoring of securities holdings. Minimum Investment: \$500,000.

The IA will manage the SPA account on a non-discretionary basis, according to the client's objectives. Listed securities are subject to transaction charges. Mutual funds may or may not have transaction charges. Annual fees range from .50% - 2.00% paid in arrears. A full description of fees and services is provided in the Investment Advisory Agreement, which is required to open an account.

**SF Portfolio Strategies ("SFPS")**

Through Institutional Intelligent Portfolios (the "Program"), an automated investment management service sponsored by Schwab Wealth Investment Advisory, Inc. ("SWIA"), Summit Financial Advisors, LLC ("SFA") opens a brokerage account at Charles Schwab & Co., Inc. ("Schwab"). Through the Program, SFA selects investment strategies on behalf of their clients that consist of diversified portfolios of ETFs and an allocation of cash in a single account that is managed on a discretionary basis by SFA.

The Program is provided online through an interactive website and mobile application. Clients are asked a series of questions to determine their investment risk profile and receive a recommended strategy from SFA based on their answers. Through the Program, SFA provides their clients with a range of investment strategies. Each investment strategy consists of a diversified portfolio of exchange-traded funds ("ETFs") and a cash allocation. SFA has contracted with SWIA to provide them with the technology platform and related trading and account management services for the Program. This platform enables SFA to make the Program available to clients online and includes a system that automates certain key parts of SFA's investment process, such as determining the client's investment objectives, risk tolerance, an appropriate investment strategy and managing the client's portfolio through automated rebalancing. The system will rebalance a client's Program account periodically, or when the percentage allocation of an ETF varies by a set amount agreed to by SWIA and SFA.

As described in Item 4 Advisory Business, clients do not pay fees to SPT or brokerage commissions or other fees to Schwab as part of SFPS. Schwab does receive other revenues in connection with SFPS. Brokerage arrangements are further described in Item 12 Brokerage Practices.

Annual SFA SFPS fees range from .40%-.75%.

Clients must maintain a minimum balance of \$5,000 to receive rebalancing. Tax-loss harvesting is an optional service. A minimum balance of \$50,000 is required for clients to request SFA employ a tax-loss harvesting strategy. Accounts below \$40,000 must return to \$50,000 to maintain tax-loss harvesting.

**CollegeAmerica ("AmFunds")**

A fee-based account held by Capital Group in which client is provided ongoing investment advice and monitoring of securities holdings. No minimum investment required. Annual fees range from 0%-.75%. Description of fees and services is provided in AmFunds F-2 account application.

**Fiduciary Consulting ("FC"):**

SFA provides ongoing consulting services including investment advice and monitoring with respect to securities holdings held at a custodian of the clients choosing. SFA will retain its responsibility for risk assessment, suitability, asset allocation, investment strategy, manager review and bill the client directly for its services. The client retains the

responsibility of custody, providing client reports, best execution analysis and billing. The fee schedule for the program range is an annual flat fee of no less than \$500 and an asset-based fee from .40% - 1.00% per annum. Fees are subject to reduction based on the size of the account and the nature of the services provided. Fees are paid quarterly in arrears based upon the ending market value of the account on the last day of the previous calendar quarter.

#### **Additional Services:**

SFA, from time to time may issue special reports, charts, graphs, etc., to clients. It may also offer investment advice in matters not described above. It may also recommend clients utilize independent asset allocation services. Fees for such services are detailed in the disclosure documents provided to the client.

Clients may terminate the agreement within the first five (5) days and any fees charged will be refunded. Otherwise, clients can obtain a refund of any unearned fees and may terminate an agreement by notifying in writing the cancellation of the agreement to:

Summit Financial Advisors, LLC  
1700 S. El Camino Real, Suite 385, San Mateo, California 94402

All above quoted fees can be negotiated within the stated range, however exceptional circumstances may dictate deviation from the set range. SFA reserves the right to waive any fee or portion thereof.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

SFA, nor any of its supervised persons, accept performance-based fees or participate in side-by-side management.

## **ITEM 7: TYPES OF CLIENTS**

SFA's primary type of client that it provides investment advice to includes:

- Individuals
- Pensions and Profit Sharing Plans
- Trusts, estates, or charitable organizations
- Corporations, or business entities other than those listed above

SFA does impose a minimum dollar value of assets or account size restrictions as noted in SFA's Fee Schedule for the Summit Private Account ("SPA"). In general, we require a minimum of \$500,000 to open and maintain an advisory account.

Clients eligible to enroll in SFPS include: individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act (ERISA) of 1974, are not eligible for SFPS. The minimum investment required to open an account in SFPS is \$5,000.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

**A)** SFA's methods of analysis and investment strategies used in formulating investment advice or managing assets:

The firm employs fundamental analysis, with cyclical considerations across a wide range of asset classes including fixed income, equities, real estate and alternative investments.

The main sources of information that SFA uses includes:

- Research material prepared by others
- Corporate rating services
- Annual Reports, prospectuses, filings with the Securities and Exchange Commission

The investment strategies SFA uses to implement and investment advice given to its clients include:

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

Risk of Loss is inherent when investing in securities. Clients should be prepared to bear not just market risk, but other types of risk such as credit risk, business risk, opportunity risk, and regulatory risk as well.

**B)** SFA's investment strategies or methods of analysis used and the Risks:

The investment process begins with a thorough examination of the clients' risk tolerance, investment experience and time horizon. Client portfolios will be designed oriented around the specific client requirements of: 1) Preservation of Capital, 2) Income Strategies, or 3) Growth. Consistent with the suitability of the clients' objective, a global portfolio strategy is implemented diversified by asset class, investment style and investment manager.

We attempt to mitigate risk through proper diversification, disciplined security selection and utilizing managers with a similar methodology. Clients may also restrict their portfolio selections by asset class, industry or individual company exposure.

**C)** Types of Investments SFA offers advice on:

Equity Securities:

- A) Exchange listed securities
- B) Securities traded over-the-counter
- C) Corporate debt securities (other than commercial paper)
- D) Commercial paper
- E) Certificates of deposit
- F) Municipal securities
- G) Investment company securities:
  - (a) mutual fund shares

- H) United States government securities
- I) Alternative investments:
  - (a) Real Estate Investment Trusts
  - (b) Private Equity
  - (c) Hedge Funds

**Risk of Loss:**

The most identifiable risk is the loss of principal when using certain types of investments within client portfolios. These investments include the Equity Securities, Corporate Debt securities, Municipal securities, and mutual funds which carry more risk than the Certificates of Deposit and United States government securities.

## **ITEM 9: DISCIPLINARY INFORMATION**

SFA has no legal or disciplinary events that are material to a client's or prospective client's evaluation of SFA's advisory business, or the integrity of SFA's management.

SFA has no material facts regarding any legal or disciplinary events to disclose.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither SFA nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Summit Financial Advisors, LLC (SFA), policies and practices place the interests of the client above any benefit to itself or any of its employees. The firm seeks to achieve growth through the expansion of its client base and the expected accomplishment of defined client goals, given existing economic conditions. In acknowledgment that the greatest sustainable environment of success for SFA and its employees lies in providing excellence in personal attention, investment advice, product selection and customer service, SFA hereby adopts the following Code of Ethics.

### **Investment Adviser Code of Ethics:**

Acknowledging that the greatest sustainable environment for the success of SFA and its employees lies in attaining excellence in personal attention, investment advice, product selection and customer service, SFA has adopted a Code of Ethics to support its commitment and fiduciary responsibilities to its clients. The code mandates a high standard of business conduct from the firm as an entity and from each of its employees individually. The expectation of the firm is that each employee understands and complies with all applicable state and federal laws and supports SFA's regulatory requirements by adherence to stated policies and procedures. SFA will provide a copy of our Code of Ethics to any client or prospective client upon request.

**Standard of Business Conduct:**

SFA, in its capacity as a fiduciary for clients and their assets, mandates a high standard of business conduct from the firm as an entity, and each of its employees individually. The expectation of the firm is that each employee understands and complies with all applicable state and federal laws, and supports SFA's regulatory requirements by adherence to the stated policies and procedures. Continued employment with SFA is dependent on satisfactory compliance with this requirement.

**Personal Securities Trading:**

SFA's policy allows employees to maintain personal securities accounts provided any personal investing by an employee in any accounts in which the employee has a beneficial interest, including any account for any immediate family or household members, is consistent with SFA's fiduciary duty to its clients and consistent with regulatory requirements.

Each employee must identify any personal investment accounts in an annual holdings summary, and report all reportable transactions and investment activity on at least a quarterly basis to the firm's Chief Compliance Officer ("CCO"), or other designated officer.

Any employee wishing to acquire a direct or indirect beneficial interest in an Initial Public Offering or Limited Offer must obtain a pre-investment clearance from the firm's CCO to ensure no conflict of interest is present.

Personal trading and reporting procedures are outlined in the SFA Policies and Procedures Manual.

**Reporting Violations:**

SFA depends on the professionalism of its employees to abide by the code. Any violation, or suspected violation, of the Code of Ethics is to be reported to the CCO immediately.

**Acknowledgment of Receipt of the Code of Ethics and Policies and Procedures:**

SFA requires that each employee acknowledge in writing, the receipt of the Code of Ethics and Policies and Procedures, including any amendments. This acknowledgment will remain in the employee's file for the length of his or her employment plus five years.

**Adviser Review and Enforcement:**

SFA's CCO is responsible for the maintenance and enforcement of the code of ethics. Pursuant to these duties is a periodic review of all employees' securities reports.

**Record Keeping:**

SFA will maintain records of all employee's securities reports, documentation of reviews and any violation reports to the code, for a period of five years, as of the end of the fiscal year in which the reports pertain. Records of employee acknowledgments will be retained for the length of employment plus five years.

**Form ADV disclosure:**

SFA will disclose on its Form ADV, Part II a summary of its Code of Ethics and offer a copy of the full code, upon request, to any interested party.

**Proprietary Interest in Client Transactions:**

SFA does not participate in principal transactions in which securities are bought by SFA or any related person from advisory clients, or sold to its own advisory clients.

SFA and any other related person may buy or sell the same securities that SFA also recommends to its advisory clients. If the possibility of a conflict of interest occurs, the client's interests will prevail. As the situation may cause a conflict of interest, SFA has established the following restrictions in order to meet its fiduciary obligations:

- Affiliated persons of SFA shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No such affiliated person shall prefer his or her own interest to that of the advisory client.
- SFA maintains a list of all securities holdings, for itself or anyone affiliated with the advisory practice. These holdings are reviewed on a regular basis by the CCO.
- SFA requires that all affiliated persons act in accordance with all applicable Federal and State regulations governing registered investment advisers.
- Any individual not in observance of the above requirements may be subject to termination.

**Sales Interest in Client Transactions:**

SFA does not participate in agency cross transactions where SFA execute trades for brokerage customers in which advisory client securities are sold to or bought from the brokerage customer.

SFA does not recommend purchase of securities to advisory clients for which SFA or any related person serves as underwriter, general or managing partner, or purchaser representative.

SFA does not recommend the purchase or sale of securities to advisory clients for which SFA or any related person has any other sales interest (other than the receipt of sales commissions as a broker or RR of a broker-dealer).

**General Policy of Dealing with Conflicts of Interest:**

SFA's general policy for dealing with conflicts of interest with its advisory clients:

- a) Disclose any potential conflicts of interest prior to entering into an advisory agreement with the client, or providing any advisory services.
- b) Abstain from the activity all together.
- c) Refer to a professional whose expertise is recommended for those types of circumstances.

**Summit Financial Advisors, LLC Privacy Policy:**

At SFA, an independent financial planning and wealth management firm, we value your business and want to let you know where we stand on a crucial topic: customer information and privacy. We are committed to safeguarding the confidential information of each of our clients. We hold all personal information provided to our firm in the strictest confidence. These records include all personal information that we collect from you in connection with any of the services we provide. Our policy with respect to personal information about you is contained in our privacy policy below.

**Summit Financial Advisors, LLC Privacy Policy Statement:**

**A)** SFA collects nonpublic personal information about our clients from the following sources:

- Information received from clients' applications and other forms;
- Information about clients' transactions with SFA, its affiliates or others;
- Information received from consumer reporting agencies;

**B)** SFA does not disclose any nonpublic personal information about our clients or former clients to anyone except permitted or required by law or permitted by written client request;

**C)** SFA restricts access to material nonpublic personal information about its clients to our employees who need to know that information to provide services and only to nonaffiliated parties as permitted by law. Broker-dealer firms have regulatory requirements to supervise certain SFA activities. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf; or so that our firm can discuss your financial situation with your accountant or attorney);

**D)** SFA maintains physical, electronic and procedural safeguards that comply with federal standards to guard our clients' personal information.

**E)** SFA client files are stored electronically. Archived files are at secured, offsite storage. For the protection of our client's information, document shredding is done on-site/ in office..

**Client Data & System Files Disaster Recovery Plan:**

SFA has implemented a Disaster Recovery Plan. Client data and system files are backed up to offsite/cloud servers.

**ITEM 12: BROKERAGE PRACTICES**

When recommending brokers for the execution of securities transactions, SFA bases its selection on the total suite of services provided not merely the lowest commission charged. Also, it is SFA's policy for its Advisers:

- not to accept "soft dollar" benefits as part of recommending brokers for the execution of securities transactions, and has no disclosures of soft dollar benefits received by any of its advisers;
- not to use Trade Aggregation as part of its brokerage practices, and continues not to implement this requirement;
- not to recommend, request or require that a client directs us to use a specified

- broker-dealer; and
- not to receive client referrals from a broker-dealer or third party.

**Summit Financial Advisors, LLC Best Execution Policy:**

As an investment advisory firm, SFA has a fiduciary duty to seek best execution for client transactions. SFA, as a matter of policy and practice, seeks to obtain best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances.

The philosophy behind this best execution policy is one that is consistent with a long term buy and hold strategy that the firm employs on the whole. The relative cost of a security transaction is minimal if the security traded is maintained in a client account for a significant period of time. The selection of a security and subsequent execution of the trade is greatly improved by the quality of research and brokerage services provided. Therefore, SFA believes that its clients are best served by brokers that provide a wide range of services, including quality executions, at a reasonable cost but not necessarily the lowest cost.

**Summit Financial Advisors, LLC Trade Error Policy:**

If a trading error occurs in the placement, execution or settlement of a client's trade, SFA will correct the error as soon as it is discovered. If a trade correction (ie. cancellation of trade, adjusting an allocation) is done after the settlement of the trade, the team will work with the custodian to make the client 'whole' if losses from trading errors occur. If the trade error results in a profit, the client will keep the proceeds.

**SF Portfolio Strategies (“SFPS”):**

Client accounts enrolled in SFPS are maintained at and receive the brokerage services of Schwab, a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use Schwab as custodian/broker to enroll in SFPS, the client decides whether to do so and opens its account with Schwab by entering into a brokerage account agreement directly with Schwab. We do not open the account for the client. If the client does not wish to place his or her assets with Schwab then we cannot manage the client's account through SFPS. Schwab may aggregate purchase and sale orders for ETFs across accounts enrolled in SFPS, including both accounts for our clients and accounts for clients of other independent investment advisory firms using SFPS.

**The Custodian and Brokers We Use:**

SFA does not maintain custody of your assets on which we advise, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (*see Item 15: Custody*). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We request that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when you instruct them to. While we request that you use Schwab

as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “Your brokerage and custody costs”).

#### **How We Select Brokers/Custodians:**

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
- Capability to execute, clear, and settle trades (buy and sell securities for your account);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.);
- Quality of services;
- Competitiveness of the prices of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
- Reputation, financial strength, security and stability; and
- Availability of other products and services that benefit us, as discussed below (see “Products and services available to us from Schwab”).

#### **Your Brokerage and Custody Costs:**

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but it is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab’s Cash Features Program. Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How we select brokers/custodians” above).

#### **Products and services available to us from Schwab:**

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients

with access to its institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our client's accounts, while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

*Services that benefit you:* Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit the client and the client's account.

*Services that may not directly benefit you:* Schwab also makes available to us other products and services that benefit us but may not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmation and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

*Services that generally benefit only us:* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal and business consulting;
- publications and conferences on practice management and business succession;
- access to employee benefits providers, human capital consultants, and insurance providers; and
- marketing consulting and support.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

**Our interest in Schwab's Services:**

The availability of services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services, and they are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. With respect to SFPS, as described in Item 4 Advisory Business, we do not pay SPT fees for SFPS so long as we maintain \$100 million in client assets in accounts at Schwab that are *not* enrolled in SFPS. In light of our arrangements with Schwab, we may have an incentive to recommend that our clients maintain their accounts with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us.

**ITEM 13: REVIEW OF ACCOUNTS**

Financial Planning clients can receive 1-2 meetings per year. Items covered include cash flow, risk management, investments, income taxes, retirement and estate issues. Clients are encouraged to contact their adviser for any reason throughout the year especially for major life events such as marriage, divorce, job loss et al.

Investment Advisory clients can receive 1-2 meetings per year. Items covered include investment objectives, time frame, risk tolerance, tax situation, income requirements, portfolio analysis and performance evaluation. Amendments, such as exiting or initiating positions, may also be discussed. Clients are encouraged to contact their adviser for any reason throughout the year.

SFA Clients will receive account statements directly from Schwab and AmFunds at least quarterly. SFA highly recommends to its clients that they carefully review the account statements received from the qualified custodian and notify their IAR immediately of any discrepancies. Should any discrepancies occur between the custodian, RIA, or client, SFA has established written reconciliation procedures as part of our compliance policies, procedures, and operations.

**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

SFA or any related person does not directly or indirectly compensate any person for client referrals.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under *Item 12: Brokerage Practices*. The availability to us of Schwab's products and services is not based on giving particular investment advice, such as buying particular securities for our clients.

## ITEM 15: CUSTODY

Schwab Advisor Services, a division of Charles Schwab & Co., Inc. is the current custodian of SFA. SFA recommends that clients establish brokerage accounts with a qualified custodian for maintaining custody of client's assets and to effect trades for their accounts.

Schwab meets six of seven conditions that the SEC has recently outlined in their Custody Rule. SFA is unable to do any first-party wires or any third-party movements (checks/wires/ACHs) without the client signing an authorization including destination account details.

Under government regulations, we are deemed to have custody of a client's assets if the client authorizes us to instruct Schwab to deduct our advisory fees directly from the client's account. This is the case for accounts in SPA and SFPS. Schwab maintains actual custody of clients' assets. Clients receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address the client provides to Schwab. Clients should carefully review those statements promptly when received. We also urge clients to compare Schwab's account statements to the periodic portfolio reports clients receive from us.

SFA is independently owned and operated and not affiliated with these custodians which provide SFA access to their institutional trading and custody services, which are typically not available to retail investors. These services generally available to independent investment advisors on an unsolicited basis, at no charge to them so long as SFA maintains a minimum level of assets but are not otherwise contingent upon the advisor committing any specific amount of business (assets or trading). These custodian services include custody, brokerage, research, 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.

For SFA's client accounts maintained by these custodians and brokers, they generally do not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through or that settle into brokerage accounts.

Custodians or brokers also make available to SFA other products and services that benefit SFA but may not benefit its clients' accounts. Some of these other products and services assist SFA in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution; provide research, pricing information and other market data; facilitate payment of SFA's fees from its clients' accounts; and assist with back-office functions, record keeping and client reporting. Many of these services generally may be used to service all or a substantial number of SFA's accounts and are intended to help SFA manage and further develop its business enterprise. These services may include consulting, publications and

conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, custodians and brokers may make available, arrange and/or pay for these types of services rendered to SFA by independent third parties.

Custodians and brokers may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to SFA. While as a fiduciary, SFA endeavors to act in its clients' best interests, and SFA's recommendation that clients maintain their assets in accounts at certain custodians and brokers may be based in part on the benefit to SFA of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the custodians and brokers which may create a potential conflict of interest.

## **ITEM 16: INVESTMENT DISCRETION**

SFA or any related person may exercise its discretionary authority to determine the securities to be bought or sold, and the amount of securities to be bought or sold for a client's account. SFA does not have discretionary authority to determine the brokers or dealers to be used for a purchase or sale of securities, or commission rates to be paid to a broker dealer for a client's securities transactions. SFA does recommend brokers or dealers to its clients, and may receive research or other products or services other than execution from a broker dealer or a third party in connection with client securities transactions.

## **ITEM 17: VOTING CLIENT SECURITIES**

When acting with respect to corporate actions for clients, SFA's utmost concern is that all decisions be made in the exclusive best interest of the client (and for ERISA accounts, plan beneficiaries and participants, in accordance with the letter and spirit of ERISA.) SFA will act in a prudent and diligent manner intended to enhance the economic value of the assets in the clients account.

Notwithstanding the foregoing, SFA has adopted the policy that it will not accept voting authority, over what are commonly known in the securities industry as "proxy statements", which typically relate to matters of corporate governance. The distinction of whether a communication from an issuer qualifies as (i) a corporate reorganization or other corporate action, (ii) a proxy statement is determined by the issuer not SFA or the custodian. SFA's clients may receive these proxies or other client solicitations directly from the issuer by either US Mail or by e-mail.

## ITEM 18: FINANCIAL INFORMATION

### **Portfolio Values as of 10/31/2023:**

Non-Discretionary Accounts

\$348,890,768

Discretionary Accounts

\$49,431,405

Total Regulatory Assets Under Management (AUM)

\$398,322,173

### **Prepayment of Fees & Financial Information disclosure:**

SFA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

SFA has no other information to disclose relating to its financial condition that would impair the firm's ability to meet its contractual commitments to clients.

### **Bankruptcy Disclosure(s):**

SFA, nor any of its IARs, have been the subject of a bankruptcy petition at any time during the past ten years, or any pending bankruptcy petitions at this time.

**Form ADV - Part 2B Brochure Supplement - Velez**

**Summit Financial Advisors, LLC**

**Rafael Orlando Velez, III**

**1700 S. El Camino Real, Suite 385  
San Mateo, CA 94402**

**Phone: 650 357-9410**

**November 29, 2023**

**CRD #: 2148488**

This brochure supplement provides information about Rafael Orlando Velez, III that supplements the Summit Financial Advisors, LLC brochure. You should have received a copy of that brochure. Please contact Cristina P. Albright if you did not receive Summit Financial Advisors, LLC's brochure or if you have any questions about the contents of this supplement.

## **Item 2: Educational Background and Business Experience**

Rafael O. Velez, III  
Managing Director and Principal of Summit Financial Advisors, LLC  
Date of Birth: September 7, 1968

Formal Education:  
Menlo College  
Business Administration Major  
Degree received: Bachelor of Sciences 1991

Business Background (preceding five years to present):  
Managing Director, Chief Compliance Officer, Investment Adviser Representative (IAR)  
at Summit Financial Advisors, LLC (SFA)

Professional Designations:  
AIF® - The Accredited Investment Fiduciary designation demonstrates that a certificant has gained advanced training and competency in the subject of fiduciary responsibility. AIF® designees must complete a specialized program on investment fiduciary standards, then subsequently pass a comprehensive examination.

## **Item 3: Disciplinary Information**

No Disciplinary Information or Events to Disclose.

## **Item 4: Other Business Activities**

Rafael Velez is an equal partner of VP Baldwin Partners, LLC. This limited liability company was formed by Rafael Velez and Mark Pietrofesa in 2012 to facilitate the purchase and financing of 109 Baldwin Avenue in San Mateo, their previous office space.

## **Item 5: Additional Compensation**

No Additional Compensation to disclose.

## **Item 6: Supervision**

Rafael Velez, IAR, Managing Director, and Principal of SFA, is directly responsible for his own supervision and the supervision of his IARs.

Rafael works closely with the CCO, assists with compliance meetings and submits all required documentation to help facilitate audits of the firm's records for compliance and regulatory accuracy.

Rafael is required to adhere to the compliance policies and procedures set forth in the firm's compliance manual which is readily available to all advisors for review at any time. In addition, SFA uses compliance approved financial planning and accounting software, and is the primary planning tool for its advisors. This software tool makes the supervision of advisory services easy to manage and utilized correctly is an effective tool for prudent portfolio recommendations to the client.

Rafael's advice that he provides as an IAR to his clients are personally reviewed before recommendations are presented to the client. Rafael supervises his own activities and the activities of his RRs and IARs. Such activities include trades, incoming and outgoing correspondence, the use of social media web sites, and the use of laptops or other personal devices for business communications.

Rafael and his advisors are held to highest standard of business practices in the industry, and continue to maintain all licenses and designations through their continuing education.

Compliance Officer Information:  
Cristina P. Albright, CCO (650) 357-9410