

## Item 1 – Cover Page

### **Pacific Financial Strategies, Inc.**

223 E. Thousand Oaks Blvd., Suite 403

Thousand Oaks CA 91360

(818) 991-7794

[www.pacfs.com](http://www.pacfs.com)

**This brochure provides information about the qualifications and business practices of PACIFIC FINANCIAL STRATEGIES, INC. If you have any questions about the contents of this brochure, please contact us at (818) 991-7794. 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 PACIFIC FINANCIAL STRATEGIES, INC. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD# for the firm is 151434.**

**Please note that the use of the term “registered investment adviser” and description of PACIFIC FINANCIAL STRATEGIES, INC. 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 its employees.**

## Item 2 – Material Changes

### Firm Brochure

The purpose of this page is to inform you of any material changes since the last annual update to this brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

We have made the following material changes since our last annual update to the brochure, dated January 1, 2019:

#### Item 5 - Short-term redemptions

Short-term redemptions fees are those imposed by funds when shares are held less than 90 days. Typically, PFS does not effect trades that will incur short-term redemption fees. However, if a client requests cash from an account and a short-term trade is required to make funds available to meet the request, a fee of \$50 is charged by the custodian. This fee is paid by the client to the custodian (Charles Schwab) directly.

PFS traders will minimize the use of short-term redemptions that cause the client to be charged a short-term redemption fee. When rebalancing, the trader will review all trades to ensure that there are no short-term redemption fees unless necessary to meet the goals of the client.

In the event of a market decline, PFS may see the need to act in the client's best interest by selling a fund or funds and moving cash, which may incur a short-term redemption fee on a fund or funds. This fee is paid by the client to the custodian

Our brochure may be requested by contacting the firm at (818) 991-7794.

Additional information about Pacific Financial Strategies, Inc. is also available via the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Pacific Financial Strategies, Inc. who are registered, or are required to be registered, as investment adviser representatives of Pacific Financial Strategies, Inc.

## Item 3 – Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation.....	4
Item 6 – Performance-Based Fees and Side-By-Side Management.....	7
Item 7 – Types of Clients and Account Requirements.....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9 – Disciplinary Information .....	12
Item 10 – Other Financial Industry Activities and Affiliations .....	13
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
Item 12 – Brokerage Practices .....	15
Item 13 – Review of Accounts or Financial Plans .....	17
Item 14 – Client Referrals and Other Compensation.....	18
Item 15 – Custody.....	20
Item 16 – Investment Discretion .....	21
Item 17 – Voting Client Securities.....	22
Item 18 – Financial Information.....	23

## Item 4 – Advisory Business

We offer the following types of services: asset management, financial planning and consultations, and 401(k)/pension consulting.

We are dedicated to providing individuals with a wide array of investment advisory services. Our firm is a corporation formed in the State of California in 2002. Our firm has been in business as an investment advisor since 2010. The majority shareholder is Art Garcia.

### (i) Asset Management:

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual bonds, exchange traded funds ("ETFs"), and mutual funds. We may include individual stocks and other public and private securities or investments, if appropriate for the client. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Other restrictions may be imposed by clients with respect to the (average or longest) maturity or credit quality of fixed income investments. In either case, all restrictions must be in writing.

### (ii) Financial Planning and Consultations:

We provide a variety of financial planning and consultation services to individuals, families, and other clients regarding the management of their financial resources based upon an analysis of client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives.

This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning, and Life Coaching.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written financial

planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

### (iii) 401(k)/Pension Consulting

Our Pension Consulting Service consists of assisting employer plan sponsors establish monitor and review their company's participant-directed retirement plan. We evaluate the needs of the plan sponsor and generally advise on the following areas: investment options, plan structure, and participant education.

**Retirement Rollovers-No Obligation/Conflict of Interest:** A client leaving an employer typically has four options (and may engage in a combination of these options): 1) leave the money in his former employer's plan, if permitted, 2) roll over the assets to his/her new employer's plan, if one is available and rollovers are permitted, 3) rollover to an Individual Retirement Account (IRA), or 4) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences).

Pacific Financial Strategies may recommend an investor roll over plan assets to an IRA managed by Pacific Financial Strategies. As a result, we may earn an asset-based fee; however, a recommendation that a client or prospective client leave their plan assets with their old employer will result in no compensation. Pacific Financial Strategies has an economic incentive to encourage an investor to roll plan assets into an IRA that Pacific Financial Strategies will manage.

There are various factors that Pacific Financial Strategies may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus those of Pacific Financial Strategies, iv) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. No client is under any obligation to roll over plan assets to an IRA managed by Pacific Financial Strategies.

### Workshops/Seminars

Pacific Financial Strategies offers financial seminars in several areas, including retirement planning, social security, and medicare. There is a materials fee of \$40 for the Retirement Planning and a \$15 fee for the Social Security/Medicare class.

### Individual Tailoring of Advice to Clients:

We offer individualized investment advice to clients utilizing the following services offered by our firm: Asset Management. On the other hand, we offer general investment

advice to clients utilizing the following services offered by our firm: Financial Planning and Consultations, and Pension Consulting.

Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). We will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s).

We do not sponsor any wrap fee program. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment supervisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

We manage \$114, 259,692 on a discretionary basis as of February 14, 2020.

## Item 5 – Fees and Compensation

We are required to describe our brokerage, custody, fees, and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally negotiable.

### (i) Asset Management:

<b>Assets under Management</b>	<b>Annual Advisory Fee</b>
Any Assets	Maximum 1%

\*Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on time-weighted daily average of the previous quarter.

Fees will generally be automatically deducted from your managed account\*. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) If we send a copy of our invoice to you, our invoice includes a legend as required by paragraph (a)(2) of Rule 206(4)-2 under the Investment Advisers Act of 1940.\*\*

\*In rare cases, we will agree to directly bill clients.

\*\*The legend urges the client to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the advisor opens custodial accounts with the qualified custodian.

### (ii) Financial Planning and Consultations:

We charge on an hourly or flat fee basis for financial planning and consultation services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees are \$200 for financial advisors, \$100 per hour for para-planners and \$75 for administrative time. Flat fees generally range from \$1,000 to \$10,000.

We require a retainer of fifty-percent (50%) of the ultimate financial planning or consultation fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months.

(iii) 401(k)/Pension Consulting:**Assets under Management**

Any Assets

**Annual Advisory Fee**

Maximum 1%

\*Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on time-weighted daily average of the previous quarter.

Fees will generally be automatically deducted from your managed account\*. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) If we send a copy of our invoice to you, our invoice includes a legend as required by paragraph (a)(2) of Rule 206(4)-2 under the Investment Advisers Act of 1940.\*\*

\*In rare cases, we will agree to directly bill clients.

\*\*The legend urges the client to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the advisor opens custodial accounts with the qualified custodian.

1. Client's advisory fees are due quarterly in advance.

The *Investment Advisory Agreement* between Pacific Financial Strategies and the client will remain in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. In the event that you wish to terminate our services, we will refund the unearned portion based upon the number of days remaining in the billing quarter.

2. Commissionable securities sales.

We do not sell securities for a commission. In order to sell securities for a commission, we would need to have our associated persons registered with a broker-dealer. We have chosen not to do so.

3. Short-term redemptions.

Short-term redemptions fees are those imposed by Charles Schwab and Co., Inc., the custodian, when shares are held 90 days or less. Typically, PFS does not effect trades that will incur short-term redemption fees. However, if a client requests cash from an account and a short-term trade is required to make funds



available to meet the request, a fee of \$50 is charged by the custodian. This fee is paid by the client to the custodian (Charles Schwab) directly.

PFS traders will minimize the use of short-term redemptions that cause the client to be charged a short-term redemption fee. When rebalancing, the trader will review all trades to ensure that there are no short-term redemption fees unless necessary to meet the goals of the client.

In the event of a market decline, PFS may see the need to act in the client’s best interest by selling a fund or funds and moving cash, which may incur a short-term redemption fee on a fund or funds. This fee is paid by the client to the custodian.

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

We do not charge performance fees to our clients.

## **Item 7 – Types of Clients and Account Requirements**

We have the following types of clients:

- Individuals
- Small business pension plans

### **Required Minimum Client Accounts**

We have no minimum account size.

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

Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

### Methods of Analysis:

- Fundamental;
- Technical;
- Cyclical;
- Intermarket

### Investment Strategies we use:

- Long term purchases (securities held at least a year);
- Short term purchases (securities sold within a year);
- Trading (securities sold within 30 days);
- Margin transactions

### Please note:

Investing in securities involves risk of loss that *clients* should be prepared to bear. While the financial markets may increase and your account(s) could enjoy a gain, it is also possible that the financial markets may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the financial markets, are appropriately diversified in your investments, and ask us any questions you may have.

The methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risk.

Investing in securities involves risk of loss that clients should be prepared to bear. The firm's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

**Interest-rate Risk:** The risk that investment returns will be affected by changes in the level of interest rates. When interest rates increase, the prices and values of bonds decrease. When interest rates decrease, the prices and values of bonds increase.

**Market Risk:** The risk that investment returns will be affected by changes in the overall level of the stock market. When the stock market as a whole increases or decreases, virtually all stocks are affected to some degree.

Reinvestment Rate Risk: The risk incurred when an investment's income is reinvested at a lower rate than the rate that existed at the time the original investment was made. This risk is most prevalent when interest rates fall.

Purchasing Power Risk (Inflation Risk): The risk that inflation will affect the return of an investment in real dollars. In other words, the amount of goods that one dollar will purchase decreases with time. Investments that have low returns, such as savings accounts, are not likely to keep up with inflation. Investments with fixed returns, such as bonds, will decrease in value because their purchasing value will decrease with inflation.

Business Risk: The risk associated with a particular industry or firm. These are factors that affect the industry or firm, but do not affect the whole market. They include government regulations, management competency, or local or regional economic factors.

Financial Risk: The risk associated with the mix of debt and equity used to finance a firm. The greater the financial leverage, the greater the financial risk.

Currency Risk (Exchange Rate Risk): The risk that a change in the value of a foreign currency relative to the U.S. dollar will negatively affect a U.S. investor's return.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

In general, cash equivalents provide liquidity with minimum income, and a return of principal with no capital appreciation. Cash equivalents are, however, subject to purchasing power risk.

Fixed income investments provide current income. Usually, the longer the maturity of the security, the higher the income it will generate. Also, with longer maturities, fixed income investments will have greater price volatility and greater opportunity for capital gains or capital losses. Fixed income investments are subject to interest rate risk, reinvestment rate risk, and purchasing power risk. In addition, foreign bonds would be subject to currency rate risk and junk bonds would be subject to business risk and financial risk.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Mutual fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Equity investments are subject to greater volatility, thus providing a greater opportunity for capital gains, and a greater opportunity for capital losses. Equity investments offer little or no current income. Equity investments are subject to market risk and interest

rate risk, while providing an opportunity to protect against purchasing power risk. Also, stock mutual funds, rather than individual equities, may limit the exposure to business risk and financial risk.

Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Different types of investments involve varying degrees of risk, and the client should not assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended by the firm) will be profitable or equal to any specific performance level(s).

Our practices regarding cash balances in *client* accounts, including whether we invest cash balances for temporary purposes and, if so, how.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to asset management, as applicable.

## Item 9 – Disciplinary Information

We are required to disclose whether there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of our advisory business or the integrity of our management. There are a number of specific legal and disciplinary events that we must presume are material for this Item. If our advisory firm or a *management person* has been *involved* in one of these events, we must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in our or the *management person's* favor, or was reversed, suspended or vacated, or (2) the event is not material (see Note below). For purposes of calculating this ten-year period, the "date" of an event is the date that the final *order*, judgment, or decree was entered, or the date that any rights of appeal from preliminary *orders*, judgments or decrees lapsed.

The SEC and/or State Regulators have not provided us with an exclusive list of material disciplinary events, which need to be disclosed. If our advisory firm or a *management person* has been *involved* in a legal or disciplinary event that is not specifically required to be disclosed, but nonetheless is material to a *client's* or prospective *client's* evaluation of our advisory business or the integrity of our management, we must disclose the event. Similarly, even if more than ten years has passed since the date of the event, we must disclose the event if it is so serious that it remains currently material to a *client's* or prospective *client's* evaluation of our firm or management.

**We have determined that our firm and management have nothing to disclose under the aforementioned standard.**

## Item 10 – Other Financial Industry Activities and Affiliations

Neither the firm, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither the firm, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

Our firm or our management persons have a material relationship with the following *related person(s)* as follows:

### Insurance company or agency

As licensed insurance agents, representatives of our firm may recommend to their advisory clients a variety of insurance products, and they may offer commissionable insurance products to our firm's clients for which each representative may receive compensation.

These activities constitute 10% of the representatives' time.

The firm may refer clients to a broker-dealer representative for variable annuities or other products. The firm's related persons may receive commissions from the broker-dealer representative for these products. Clients are made aware in advance of this arrangement and any conflicts of interest that may arise from this referral.



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

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

## Item 12 – Brokerage Practices

Research and Other Soft Dollar Benefits. If we receive research or other products or services other than execution from a broker-dealer or a third party in connection with *client* securities transactions (“soft dollar benefits”), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

Research products and services provided by the Schwab Institutional division of Charles Schwab & Co., Inc. to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Schwab to our firm in the performance of our investment decision-making responsibilities.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, we may receive from Schwab, (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist us to better monitor and service client accounts maintained at such institutions. Included within the support services may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by us in furtherance of our investment supervisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist is in managing and administering client accounts. Others do not directly provide such assistance, but rather assist us to manage and further develop our business enterprise.

Our clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by us to Schwab or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Our Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

**Directed Brokerage**

We do not generally accept directed brokerage arrangements (when clients require that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to "batch" the client transactions for executions through other broker-dealers with orders for other accounts managed by us. As a result, clients may pay higher commissions or other transactions costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs the firm to effect securities transactions for the client's account through a specific broker-dealer, the client acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through the firm. This type of arrangement may occur when the firm manages a client's retirement account(s) held at a specific broker-dealer or custodian.

**Aggregation of Client Trades**

To the extent we provide investment management services to our clients, the transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. We shall not receive any additional compensation or remuneration as a result of such aggregation.

Our employees are not registered representatives of Schwab or any other custodian/broker-dealer and do not receive any commissions or fees from recommending these services.

**Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Item 13 – Review of Accounts or Financial Plans**

We review accounts on at least a quarterly basis for our clients subscribing to the following services: Asset Management and Pension Consulting. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Investment Adviser Representatives will conduct reviews.

Financial planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. We do not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

#### **Reports to Clients**

We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to the following services: Asset Management and Pension Consulting.

As mentioned in Item 13A of this Brochure, financial planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately contract with us for a post-financial plan meeting or update to their initial written financial plan.

## Item 14 – Client Referrals and Other Compensation

Our firm recommends that clients establish brokerage accounts with Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), registered broker-dealer, Member SIPC, to maintain custody of Clients' assets and to effect trades for their accounts. Our firm is independently owned and operated and not affiliated with Schwab. Our firm may also recommend that Clients establish accounts with firms other than Schwab.

Our firm places trades for its Clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Our firm may use a bond desk other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that we are more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Some of the products, services and other benefits provided by Schwab benefit us and may not benefit our firm's client accounts. Our recommendation/requirement that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to us, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

Schwab also makes available to our firm other products and services that benefit us but may not benefit clients' accounts. These benefits may include national, regional or specific to our firm, educational events organized and/or sponsored by Schwab Institutional. Other potential benefits may include occasional business entertainment of personnel of our firm by Schwab Institutional personnel, including meals, invitations to sporting events including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist us in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of our firm's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to us other services intended to help our firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information

technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to our firm by independent third parties. Schwab Institutional 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 us. While, as a fiduciary, Our firm endeavors to act in its clients' best interests, our recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to our firm of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

But for soft dollar arrangements, we would have to obtain the aforementioned services and products for cash. As a result of receiving such products and services for no cost, we may have an incentive to continue to place Client trades through broker-dealers that offer soft dollar arrangements. This interest conflicts with the Clients' interest of obtaining the lowest commission rate available. Therefore, our firm must determine in good faith, based on the "best execution" policy stated above that such commissions are reasonable in relation to the value of the services provided by such executing broker-dealers.

From time-to-time our firm may make an error in submitting a trade order on a client's behalf. When this occurs, we may place a correcting trade with the broker-dealer which has custody of the client's account. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for the client to retain the gain, or our firm confers with the client and the client decides to forego the gain (e.g., due to tax reasons). If the gain does not remain in the client's account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in the client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in the client's account, they may be netted.

## Item 15 – Custody

It is our policy to not accept custody of a client's securities. We are not granted access to our clients' account which will enable us to withdraw or transfer or otherwise move funds or cash from any client account to our accounts (other than for purposes of fee deductions, as explained below) or the account of any third party.

With a client's consent, we will be provided with the authority to seek deduction of our fees from a client's accounts. The account custodian does not verify the accuracy of our advisory fee calculation.

All of our clients receive at least quarterly account statements directly from their qualified custodians. The client should carefully review these account statements, and compare them to any reports provided by us.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account. If you are not receiving at least quarterly custodial account statements, please contact us at the number on the cover page of this brochure.

## Item 16 – Investment Discretion

We typically receive discretionary authority from the client at the beginning of an advisory relationship to select the identity and amount of securities to be bought or sold. Prior to assuming discretionary authority over a client's account, the client shall be required to execute an *Advisory Agreement*, granting authority to buy, sell, or otherwise effect investment transactions. In addition, any investment discretion is obtained in writing through a limited power of attorney signed by the client prior. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Discretionary authority allows us to perform trades in the client's account without further approval from the client. This includes decisions on the following:

- Securities purchased or sold
- The amount of securities to be purchased or sold

Once the portfolio is constructed, we provide ongoing supervision and rebalancing of the portfolio as changes in market conditions and client circumstances may require.

Clients may, at any time, impose restrictions, in writing, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe use of margin, etc.).



**Item 17 – Voting Client Securities**

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy vote or other solicitation.

**Item 18 – Financial Information**

We do not require, nor do we solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, therefore we have not included a balance sheet for our most recent fiscal year. We accept limited forms of discretion over clients' accounts, as described in Item 16 of the Brochure. We are unaware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Pacific Financial Strategies has never been the subject of a bankruptcy proceeding.