

## **Form ADV Part 2A - Disclosure Brochure**

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**December 2, 2016**

This brochure provides information about the qualifications and business practices of Fernandez Financial Advisory (“FFA”). If you have any questions about the contents of this brochure, please contact us at: 562-594-4454, or by email at info@fernandezllc.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 Fernandez Financial Advisory, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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## Item 2 - Material Changes

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

There have been no material changes since the Firm's last brochure of March 10, 2016. This updated brochure contains certain non-material changes.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 562-594-4454 or by email at: [info@fernandezllc.com](mailto:info@fernandezllc.com).

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## Item 4 - Advisory Business

### **Firm Description**

Fernandez Financial Advisory, LLC, ("FFA") is registered as an Investment Adviser with the State of California. FFA was founded in 1994 by Delia Fernandez who is FFA's sole owner.

FFA is strictly a fee-only financial planning and investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

FFA offers personal financial planning and investment management to individuals, families and their related entities, trusts and estates and small businesses. Financial planning advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning and estate planning, fringe benefits, and/or other issues specific to the client.

Investment management is provided, using non-discretionary authority with the client making the final decision on investment selection. The client always maintains asset control. FFA places trades for clients under a limited power of attorney. FFA does not act as a custodian of client assets.

FFA offers pension consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include an existing plan review and analysis, plan-level advice regarding fund selection and investment options, education services to plan participants, investment performance monitoring, and/or ongoing consulting. FFA may also assist with participant enrollment meetings and provide investment-related educational seminars to plan participants on such topics as: Diversification; Asset allocation; Risk tolerance; and Time horizon. Our educational seminars may include other investment -related topics specific to the particular plan.

FFA may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan are detailed in a written agreement and will be consistent with the parameters set forth in the plan documents.

At times, Delia Fernandez presents at financial planning seminars hosted by a third-party provider of educational seminars, wherein she will receive a small amount of compensation.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

All client services may be available at a lesser cost from other firms or institutions. FFA does not attempt to offer the lowest-cost financial advice or service.

### **Types of Advisory Services**

The following agreements define the typical client relationships and services. Agreements may not be assigned without client consent.

### **Financial Planning Agreement**

FFA's financial planning services are designed to help the client with aspects of financial planning without ongoing investment management.

FFA's financial planning services may include, but are not limited to: a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; income tax analysis; a review of retirement accounts and retirement plans including payout options; a review of insurance policies and recommendations for changes, if necessary; and education planning with funding recommendations.

Detailed investment advice and specific recommendations may be offered as part of a financial planning engagement. Once FFA's recommendations are provided the engagement ends. Implementation of the recommendations is at the sole obligation and discretion of the client.

### **Investment Advisory Agreement**

Most clients choose to have FFA manage their assets in order to obtain ongoing in-depth advice. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis. FFA accepts only non-discretionary authority to manage clients' assets. Meaning, FFA will only execute transactions in a client's account upon the client's knowledge and consent.

Assets are invested primarily in no-load mutual funds, exchange-traded funds, individual bonds, CDs, municipal government bonds and closed-end funds, as more fully described in Item 8 of this brochure. Stocks and bonds may be purchased or sold through a brokerage account when appropriate.

Initial public offerings (IPOs) are not available through FFA.

### **Termination of an Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying FFA in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, FFA will refund any unearned portion of the advance payment.

### **CCR Section 260.235.2 Disclosure**

For clients who receive our services, we must state when a conflict exists between the interests of our firm and the interests of our client. The client is under no obligation to act upon our recommendation. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through our firm.

### **Wrap Accounts**

FFA does not participate in wrap fee accounts.

### **Assets Under Management**

As of November, 2016, FFA manages \$24,300,000. All assets are managed on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

### **Description**

FFA charges its investment advisory services fee as a percentage of the assets under FFA's management, and charges an hourly fee in financial planning engagements. Fees are negotiable.

.1.00% on the first \$500,000;

.0.80% on the next \$500,000 (from 500,001 to 1,000,000); and

.0.50% on the assets above \$1,000,000.

FFA, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

**Hourly Fee:** For financial planning services, FFA charges clients an hourly rate of \$275. An initial setup fee, typically \$150, and not to exceed \$500, may also be charged.

### **Fee Billing**

Investment advisory fees are billed, quarterly, in arrears based upon the assets under FFA's management on the last day of each quarter. Meaning, FFA bills the client after the three-month billing period has ended. FFA sends a billing statement to the client at the end of each quarter. The billing statement sets forth the fee, the assets upon which the fee is based, and the billing period. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to the direct debiting of FFA's fee from their investment account. Clients may also make payment of FFA's fee by check. For these clients, payment in full is due and payable upon receipt of the billing statement.

Hourly financial planning engagements are billed upon completion of the services. Payment is due upon receipt of FFA's invoice. FFA accepts payment by check.

### **Other Fees**

When stocks or bonds are held in an account, the brokerage firm charges a fee for stock and bond trades. Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds, and these funds typically charge internal management fees.

The Client is responsible for the brokerage commissions, transaction fees, internal management fees and other charges related to the securities in their account. FFA does not receive any compensation, in any form, from these fees and expenses.

### **Fees at Termination of Agreement**

At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

## **Item 6 - Performance-Based Fees**

### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

## **Item 7 - Types of Clients**

### **Description**

FFA generally provides investment advice to individuals, high net worth individuals, and corporations or business entities.

Client relationships vary in scope and length of service.

### **Account Minimums**

FFA has no account minimum. However, clients with smaller accounts may find it more cost effective to use FFA's hourly services and implement the investment advice themselves.

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

### **Methods of Analysis**

FFA uses fundamental analysis to evaluate securities.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission and company press releases.

Other sources of information that FFA may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, the internet.

### **Investment Strategies**

The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. This means that FFA often uses passively-managed index and exchange-traded funds as the core investments, and then add actively-managed funds where there are greater opportunities to make a difference. Portfolios are often globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client needs to communicate their objectives and their desired investment strategy to FFA.

Other strategies may include long-term purchases and short-term purchases.

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric



company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **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.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Item 9 - Disciplinary Information

### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present activities.

## Item 10 - Other Financial Industry Activities and Affiliations

### **Affiliations**

FFA does not have arrangements that are material to its advisory business or its clients with any related person.

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

### **Code of Ethics**

The employees of FFA have committed to a Code of Ethics and Fiduciary Oath as outlined by the National Association of Personal Financial Advisors (NAPFA). The key points are: putting the clients' interests first, objectivity, confidentiality, competence, fairness and suitability, integrity and honesty, regulatory compliance, full disclosure, and professionalism. CFP® designees are also held to a Code of Ethics as outlined by the CFP® Board of Standards. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **Participation or Interest in Client Transactions**

FFA and its employees may buy or sell securities that are also held by clients. Delia Fernandez may not trade their own securities ahead of client trades.

### **Personal Trading**

The Chief Compliance Officer of FFA is Delia Fernandez, MBA, CFP®. She reviews her trades to ensure that her personal trading does not affect the markets, and that clients of the firm receive preferential treatment. Since most trades are mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

## Item 12 - Brokerage Practices

### **Selecting Brokerage Firms**

FFA does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. FFA may suggest brokers based upon reasonableness of commissions, price executions and service. However, a client is under no obligation to place transactions through the recommended broker.

FFA usually encourages the use of discount-type brokers and/or no-load funds. FFA recommends T.D. Ameritrade. Member NYSE/SIPC for client's accounts.

### **Best Execution**

FFA reviews the execution of trades from time to time. FFA does not receive any portion of the trading fees.

### **Soft Dollars**

FFA receives no soft dollar reimbursements from any broker or referral institutions.

### **Order Aggregation**

Most trades are mutual funds where trade aggregation does not garner any client benefit. When purchasing exchange-traded funds or individual securities, the firm may aggregate trades through block trading.

## Item 13 - Review of Accounts

### **Periodic Reviews**

Account reviews are performed at least semi-annually by Delia Fernandez, MBA, CFP®. Hourly financial planning review is client initiated. Account reviews are performed more frequently when market conditions dictate.

### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information and changes in a client's own situation.

### **Regular Reports**

FFA sends Investment Advisory Service clients written quarterly updates. The written updates may include portfolio statements, fees charged, and a summary of objectives and progress towards meeting those objectives. Clients are urged to compare the information contained in FFA's quarterly updates to the accounts statements sent by their account's custodian.

## Item 14 - Client Referrals and Other Compensation

### **Incoming Referrals**

FFA has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

### **Referrals Out**

FFA does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

### **Other Compensation**

None.

## Item 15 - Custody

### **Account Statements**

All assets are held at qualified custodians, who provide account statements directly to clients at their address of record at least quarterly.

### **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the reports provided by FFA.

### **Net Worth Statements**

Clients are provided net worth statements. Net worth statements contain approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

## Item 16 - Investment Discretion

### **Discretionary Authority for Trading**

FFA does not accept discretionary authority to manage securities accounts on behalf of clients. FFA consults with the client prior to each trade to obtain concurrence.

The client approves the custodian to be used and the commission rates paid to the custodian. FFA does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

## Item 17 - Voting Client Securities

### **Proxy Votes**

FFA does not vote proxies on securities. Clients are expected to vote their own proxies. When assistance on voting proxies is requested, FFA will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

Further, we will have no power, authority, responsibility, or obligation to take any action with regard to any claim, or potential claim, in any bankruptcy proceeding, class action securities litigation, or other litigation or proceeding relating to securities held at any time in a client account, including without limitation to file proofs of claim, or other documents related to such proceeding, or to investigate, initiate, supervise, or monitor class action, or other litigation involving client assets. Clients should contact the issuer or their legal counsel.

## Item 18 - Financial Information

### **Financial Condition**

FFA does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because FFA does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$500 per client, and six months or more in advance.

## Item 19 - Requirements for State-Registered Advisers

FFA, nor any officer or management person, has been involved in an arbitration; found to be liable in any civil, self-regulatory organization, or administrative proceeding.

FFA nor any of its associated persons, has the following disclosures:

1. An award, or otherwise being *found* liable, in an arbitration claim alleging damages in excess of \$2,500, *involving* any of the following:

- (a) an investment or an *investment-related* business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

2. An award, or otherwise being *found* liable, in a civil, *self-regulatory organization*, or administrative *proceeding involving* any of the following:

- (a) an investment or an *investment-related* business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

**Firm Brochure Supplement  
for  
Delia Fernandez**

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**December 2, 2016**

This brochure supplement provides information about Delia Fernandez that supplements the Fernandez Financial Advisory brochure. You should have received a copy of that brochure. Please contact Delia Fernandez at (562) 594-4454 or at: [info@fernandezllc.com](mailto:info@fernandezllc.com), if you did not receive Fernandez Financial Advisory brochure or if you have any questions about the contents of this supplement.

The information in this brochure supplement has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Additional information about Delia Fernandez is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## Brochure Supplement (Part 2B of Form ADV)

### **Delia Fernandez, Born 1952**

#### PROFESSIONAL CERTIFICATIONS:

Employees have earned certifications and credentials that are required to be explained in further detail.

- Certified Financial Planner (CFP): Certified Financial Planners are licensed by the CFP Board to use the CFP mark. CFP certification requirements:
  - Bachelor's degree from an accredited college or university.
  - Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
  - Successful completion of the 10-hour CFP® Certification Exam.
  - Three-year qualifying full-time work experience.
  - Successfully pass the Candidate Fitness Standards and background check.

#### EDUCATIONAL BACKGROUND:

- Institutions (Year);
  - B.A. British and American Literature, Scripps College, Claremont, CA 1974
  - MBA, California State University, Long Beach, CA 1982
  - CFP® or CERTIFIED FINANCIAL PLANNER™, 2007

#### BUSINESS EXPERIENCE:

- January, 1994 to the present, Fernandez Financial Advisor, Financial Planner and Investment Advisor.

DISCIPLINARY INFORMATION: None

OTHER BUSINESS ACTIVITIES: Adjunct instructor, Personal Financial Planning program, University of California, Irvine Extension. Ms. Fernandez spends approximately 5%-10% of her time in this activity.

ADDITIONAL COMPENSATION: From time to time Delia Fernandez may receive compensation for workshops or presentations on financial planning or investment topics.

ARBITRATION CLAIMS: None

SELF-REGULATORY ORGANIZATION OR ADMINISTRATIVE PROCEEDING: None

BANKRUPTCY PETITION: None