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FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Watters Financial Services, LLC. If you have any questions about the contents of this brochure, please contact us at (201) 843-0044. The information in this brochure has not been approved or verified by any state securities authority.

Additional information about Watters Financial Services, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Watters Financial Services, LLC is a Registered Investment Advisor (RIA). Registration with any state securities authority does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

As a Registered Investment Advisor, we are required to amend this ADV Part 2A brochure when there are any material changes. As of the ADV Part 2A brochure dated February 22, 2018, Colin Watters CFP® has become a co-owner of WFS with Timothy Watters CFP®.

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Item 4 Advisory Business

Watters Financial Services, LLC (WFS) provides wealth management, hourly financial planning, and business retirement plan consulting. We are an independent firm not affiliated with any investment firm, bank, or insurance company. We do not sell investment products or insurance policies. We do not receive commissions; fees received come directly from the client. The combination of our independence and Fee-Only compensation enables us to give our clients advice that is objective and unbiased.

Being a Registered Investment Advisor (RIA) we are legally required to uphold a Fiduciary Standard of Care, which means we must always act in good faith and in the best interests of the client. As an RIA we are required to provide full disclosure and transparency in this ADV Brochure Part 2A and 2B.

All advice is provided by CERTIFIED FINANCIAL PLANNER™ Professionals (CFP®). The Certified Financial Planner Board of Standards, Inc. establishes and enforces the fiduciary standards, ethics, examination, experience, and ongoing education requirements of financial planners with CFP® certificates. Non-fiduciary advisers are only required to provide advice or sell products that they deem "suitable" to the client. Those products and recommendations may not be the best or most cost effective for the client's financial situation or goals.

For over 30 years our mission has been to deliver customized plans, superior personalized service, expertise and advice designed to reduce risk, grow wealth, protect assets, and manage income and taxes.

This disclosure document ADV Part 2A brochure provides information about WFS services, compensation, conflicts of interest, etc. The ADV supplement, Part 2B provides further information regarding Timothy Watters, CFP® and Colin Watters, CFP®. Clients are also given an Investment Advisory Agreement or Financial Planning Agreement. These documents should be reviewed before becoming a client.

WFS is organized as a limited liability company (LLC) under the laws of the State of New Jersey. Timothy Watters and Colin Watters are the principal owners.

As used in this brochure, "WFS", "we", "our" and "us" refer to Watters Financial Services, LLC and the words "you", "your" and "client" refer to a client or prospective client of our firm. An Associated Person refers to an employee of the firm.

<http://www.wattersfinancial.com> is the firm's website.

Below is a brief description of the five types of services, followed by a more detailed explanation of each of the services available.

1. Wealth Management: A combination of Investment Management and ongoing Comprehensive Financial Planning with quarterly meetings.

2. Investment Management: Management of Investments with periodic reviews based on assets under management.

3. Comprehensive Financial Planning: A six-step process leading up to a customized written strategic plan to meet the client's needs, goals, and objectives.

4. Targeted Financial Planning: Consultation targeted to meet a particular goal, such as investment portfolio analysis or retirement planning.

5. Pension Consulting Services: Services regarding Retirement Plans, ERISA, 401(k), and Pension Plans.

1. WEALTH MANAGEMENT

Wealth Management is a comprehensive investment advisory service that bundles together portfolio management and financial planning components for one advisory fee. Wealth Management is a structured process which includes: (1) Discovery Agreement, (2) Ongoing Comprehensive Financial Planning and Client Engagement Road Map, (3) Goal-Based Reporting (investment benchmark, risk and returns, rebalancing), (4) Quarterly Meetings. Follow up letters and/or e-mails are sent to clients after each review meeting summarizing what was discussed, recommendations, and next actions. Wealth Management is an eight step process.

Step 1. Establishing and defining the client-planner relationship.

Step 2. Gathering client data. We construct a personal profile identifying your goals, time horizon, liquidity needs, risk tolerance, resources, cash flow, and income requirements. The information gathered is used to create a Discovery Agreement which will outline realistic and measurable goals. This information also serves as the foundation for the Client Engagement Road Map used to structure the ongoing comprehensive financial planning. The client prioritizes the sequence of issues that will be addressed over the next two years. These topics may include:

- Retirement Planning; 401(k), IRA, ROTH IRA, Pension Plans, Retirement Funding, and Income Disbursement;
- Wealth Transfer and Estate Planning; Wills, Trusts, Power of Attorney, Health Care Proxy, Living Will;
- Risk Management and Protection of Income; insurance for life, disability, homeowners, automobile, long term care, personal liability;
- Business Succession, Buy/Sell Agreements;
- Tax Analysis of Investments and Retirement Vehicles;
- Investment Planning (including portfolio design); i.e. asset allocation and portfolio management;
- College Funding, Debt Management, Cash Flow Analysis, and Budgeting.

Step 3. Analyze and evaluate the client's current financial status.

Step 4. Develop and present financial planning recommendations. Develop the Client Engagement Road Map outlining the structure of the comprehensive and ongoing financial planning. Note; WFS does not sell investments or insurance. WFS is a Fee-Only firm and does not receive commissions, rebates, awards, finder's fees, or bonuses for recommending insurance policies or investment products.

Step 5. Determine the optimal asset allocation and appropriate diversification of the investment portfolio. A diversified investment portfolio is designed to maximize returns while simultaneously managing risk. The client's risk tolerance and the risk within each of the assets are considered.

Step 6. Implement the investment portfolio with either discretionary or non-discretionary authority. You will grant our firm either discretionary or non-discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of

securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is granted by the Investment Advisory Agreement you sign with our firm, a limited power of attorney and trading authorization form. You may limit our discretionary authority, for example, limiting the types of securities that can be purchased for your account, by completing an Investment Guidelines form outlining your restrictions and guidelines in writing. These guidelines and restrictions can be changed at any time with a new signed Investment Guidelines form. If you enter into a non-discretionary arrangement with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

Step 7. Monitor investment performance and periodically rebalance the portfolio. The investment portfolio is monitored on an ongoing basis. Portfolios are rebalanced if the relative value of the investment changes enough to become inconsistent with the agreed upon asset allocation because of changes in the market or your financial circumstances. Account supervision is guided by the stated objectives of the client, i.e. growth, income, or growth and income. Clients are required to promptly notify WFS if there is ever any change in their financial situation or investment objectives.

Step 8. Monitor the progress of the comprehensive financial planning. The Client Engagement Road Map segments the issues and attaches a time table to the strategic financial plan. Financial Planning is a dynamic process and is monitored with quarterly meetings. Different financial strategic plans and/or products may be more appropriate and effective as circumstances change. Planning is affected by changes in the economy, political environment, stock market, tax laws, investment performance, health status, income, or other life event such as divorce, job loss, or death of a loved one.

2. INVESTMENT MANAGEMENT

Investment Management is the establishment of an Investment Portfolio with the optimal asset allocation and appropriate diversification for the particular client's risk tolerance, goals, and other considerations. A diversified investment portfolio is designed to maximize returns while simultaneously managing risk. The criteria for selection of investment vehicles and the procedures are determined. The portfolio's performance and allocation of the various types of assets are monitored on an ongoing basis. Periodic review meetings with the client are based on the assets under management (AUM). WFS will supervise the client's portfolio and will make recommendations to revise the allocation as market factors and the client's needs dictate. Portfolios are rebalanced, on a discretionary or non-discretionary basis, if the relative value of the investment changes enough to become inconsistent with the agreed upon asset allocation. Clients may instruct the firm to refrain from investing in particular securities or certain types of securities. These guidelines and/or restrictions must be documented and signed by the client. In general, we require a minimum of \$500,000 to open and maintain an Investment Management Services account. Existing clients whose assets drop below \$500,000 will not receive comprehensive financial planning services for the above mentioned asset based fee. Such clients will be charged separately for financial planning in addition to the asset based fee.

3. COMPREHENSIVE FINANCIAL PLANNING

Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. If you retain WFS for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we review and analyze the information you provide to our firm, we will deliver a written plan, customized and designed to help you achieve your stated financial goals and objectives. Comprehensive Financial Planning is a five step process.

Step 1. Initial contact establishes and defines the engagement.

Step 2. Gather client data. We construct a personal profile identifying your goals, time horizon, liquidity needs, risk tolerance, resources, cash flow, and income requirements.

Step 3. Analyze and evaluate the client's current financial status, which may include any of the following depending upon what the client wants to address:

- *Personal:* Family records, budgeting and cash flow analysis, and the identification and setting of appropriate financial goals.
- *Education:* Development of an education savings plan that helps the client understand, analyze, and maximize college funding opportunities and set realistic, achievable savings goals.
- *Tax Planning:* Help the client maximize their overall after-tax financial gains, minimize losses, and understand the tax impact of various investments. We do not prepare tax returns but will work closely with a client's tax professional.
- *Asset and Income Protection:* Assess protection against financial loss in various areas, such as life, disability, long term care, homeowners, automobile, and personal liability insurance.
- *Wealth Transfer and Estate Planning:* Help the client understand existing estate planning documents and, if desired, work with client's estate attorney to implement a plan best suited to the client.
- *Retirement:* Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- *Investments:* Analysis of client's investment portfolio, asset allocation, strategy and tax implications.
- *Business Planning Issues:* Succession Planning, Buy/Sell Agreement, Retirement Plan Design

Step 4. Develop and present a customized written plan documenting recommendations and/or alternatives. Note; WFS does not sell investments or insurance. WFS is a Fee-Only firm and does not receive commissions, rebates, awards, finder's fees, or bonuses for recommending insurance policies or investment products.

Step 5. Implement the financial planning recommendations. This step is optional; clients are under no obligation to act upon any of the recommendations or engage the services of any recommended professional. The client retains final authority over all implementation decisions. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through our firm. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

Step 6. Monitor the financial plan. It is recommended that the plan be reviewed periodically, however there is no obligation to do so with WFS. Financial planning is a dynamic process; different financial strategies and/or products may be more appropriate and effective as circumstances change. Planning is affected by changes in the economy, political environment, stock market, tax laws, investment performance, health status, income, and other life events such as divorce, job loss, or death of a loved one.

4. TARGETED FINANCIAL PLANNING

Targeted financial planning is designed to address a specific issue such as retirement planning, cash flow management, or any of the issues mentioned above in Step 3 under Comprehensive Financial Planning. If you elect to implement any recommendations, you are under no obligation to do so through WFS. Note; WFS does not sell investments or insurance. WFS is a Fee-Only firm and does not receive commissions, rebates, awards, finder's fees, or bonuses for recommending insurance policies or investment products.

5. PENSION CONSULTING

WFS offers various levels of advisory and consulting services to employee benefit plan sponsors and fiduciaries. The services are designed to assist them in meeting their management obligations to participants under the Employee Retirement Income Securities Act (“ERISA”). We offer pension consulting services based upon the needs of the plan and the services requested. The consulting will be non-discretionary and advisory in nature. WFS will provide advice about asset classes and investment alternatives available for the plan. The plan sponsor or fiduciary shall have the final decision-making authority regarding the selection, retention, removal, and addition of investment options. WFS will not be involved in any way in the purchase or sale of these investments. Investments will be monitored periodically based on the procedures and timing intervals delineated by the client.

WFS also provides periodic educational workshops designed for the plan participants. The nature of the topics to be covered will be determined by WFS and the plan sponsor under the guidelines established in ERISA Section 404(c). The educational workshops will NOT provide plan participants with individualized, tailored investment advice or asset allocation recommendations. WFS is NOT a fiduciary to the participants; the sponsor or fiduciary retains the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).

ASSETS UNDER MANAGEMENT (AUM)

As of December 31, 2018, WFS managed \$79,984,418 on a discretionary basis and \$25,721,199 on a non-discretionary basis for a total of \$105,705,617. WFS also advised on a limited scope fiduciary basis \$21,603,330 of 401(k) and 403 (b) assets.

Item 5 Fees and Compensation

MANAGING INVESTMENTS

The annual fee for Wealth Management will be charged as a percentage of assets under management (AUM), according to the following schedule:

Assets Under Management	Annual Fee (%)
Under \$750,000	1.00%
\$750,001 to \$1,000,000	0.75%
Over \$1,000,000	0.60%

WFS does not charge performance-based fees, which are fees calculated on the basis of a share of capital gains upon or capital appreciation of the funds.

WFS does not invest in any funds that charge initial or deferred sales charges.

A minimum of \$500,000 of AUM is required for this service. At our discretion, we may waive this minimum account size if you appear to have significant potential for increasing your assets. We may also combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. This can help lower the aggregate fee percentage charged. Combining account values may increase the asset total which may also result in an increased or a reduced total advisory fee, depending upon the differences in the clients' advisory fee rates and the advisory fee rate we choose

to calculate our total fee. As such, we will act in our clients' best interests and choose the lowest client fee rate when making a householding calculation, in effect reducing our total advisory fee to such clients.

Clients will be charged in arrears and have their account directly debited at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis. This means that the advisory fee is payable in proportion to the number of days in the quarter for which you were a client. WFS will deduct the wealth management fees directly from your account through TD Ameritrade which holds your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by TD Ameritrade.
- We send you an invoice, either by e-mail or mail, showing the amount of the fee, the value of the assets on which the fee is based, and how the fee was calculated.
- The custodian, TD Ameritrade, agrees to send you a statement, at least quarterly, indicating all transactions including the amount of the advisory fee paid directly to our firm. You should review all statements for accuracy. We will also receive a copy of your statements. If you do not receive a statement directly from TD Ameritrade, you are requested to contact both TD Ameritrade and WFS.

Existing clients whose assets are below or drop below \$500,000 will not receive comprehensive financial planning services for the above mentioned asset based fee. Such clients will be charged separately for financial planning at a rate of \$300 per hour in addition to the asset based fee.

Long-standing clients were subject to the minimum account requirements and advisory fees that were in effect at the time the client entered into the advisory relationship. Therefore, minimum account requirements and advisory fees may differ among clients. Fees and account minimums may be negotiable.

COMPREHENSIVE FINANCIAL PLANNING

Fees are charged on an hourly basis at a rate of \$300 per hour. The initial deposit is \$600. Clients may be billed periodically or upon completion depending on the number of hours required to complete the assignment. The total fee charged for these services will depend on the nature, scope of planning topics, and complexity of the client's individual financial situation. An estimate of the total time and cost will be determined at the start of the advisory relationship.

TARGETED FINANCIAL PLANNING

Fees are charged on an hourly basis at a rate of \$300 per hour. The initial deposit is \$450. In general, clients will be billed upon completion of the assignment. An estimate of the total time and cost will be determined at the start of the advisory relationship.

PENSION CONSULTING

Fees for these services will be charged on an hourly basis, at a rate of \$300 per hour or as a percentage of assets held in the plan up to .5%. If we are working on an hourly fee basis, the initial deposit is \$450. The plan may be billed quarterly or upon completion of the project depending on the nature and scope of the service provided and negotiations with the plan sponsor.

For services that involve ongoing asset management, these fees will be charged based on the schedule outlined in the service contract of the plan service provider or the investment advisory service agreement if the assets are held at TD Ameritrade. These accounts will be billed quarterly in arrears. WFS will bill the client or the 401K vendor, or TD Ameritrade will directly deduct the fees from the account(s). WFS will not directly debit any account without receiving written authorization from the plan fiduciaries. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which the plan is under management. Further, the plan fiduciaries will receive an account statement delivered at least quarterly.

OTHER FEES AND EXPENSES

All fees paid to WFS for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. WFS does not invest in any funds that charge initial or deferred sales charges.

A client could invest in a fund directly, without the services of WFS. However, the client would not have access to institutional funds that offer lower fees based on a higher minimum investment requirement; WFS is able to meet that requirement by aggregating the firm's total assets under management. In addition, the client would not receive our services which are designed to assist the client in determining which funds and portfolio model are most appropriate, nor would they receive rebalancing and continuous investment management.

Clients are responsible for the transaction charges and/or brokerage fees when purchasing or selling securities by TD Ameritrade through whom their account transactions are executed. WFS does not share in any portion of the brokerage fees/transaction charges imposed by TD Ameritrade. To fully understand the total cost you will incur you should review all the fees charged by mutual funds, Exchange Traded Funds (ETF's), WFS, and TD Ameritrade.

TRADE ERRORS

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected by TD Ameritrade and you will not keep the profit. Instead, the profit will be donated to a charity. The check will be processed through TD Ameritrade.

TERMINATION

The duration of the agreement shall be ongoing until the Advisor or the client terminates the agreement. The agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. For managed investments, clients will incur a pro rata charge for services rendered prior to the termination. This means they will incur advisory fees only in proportion to the number of days in the quarter for which they were a client and assets were managed. Any prepaid, unearned fees will be promptly refunded to Financial Planning clients.

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

WFS does not charge performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account.

Item 7 Types of Clients

WFS offers Wealth Management to individuals seeking a *combination* of Investment Management, on a discretionary or non-discretionary basis, with comprehensive and ongoing Financial Planning. Clients are provided a "Client Engagement Road Map" that breaks down the planning process into assignments and activities that are discussed and acted upon during quarterly meetings. All meetings are followed up with an e-mail or letter summarizing what was discussed, recommendations, and next actions. We may work with the client's attorney, accountant, Power of Attorney, or tax specialist depending on the assignment and with the client's prior approval.

WFS offers Financial Planning to individuals seeking advice on an hourly basis. Depending on the client's goals the assignment may be either Comprehensive or Targeted to focus on a particular problem or issue that needs a solution. Possible topics to analyze may include the investment portfolio, cash flow, risk management, education funding, retirement income, estate planning, survivor income, or employee benefit plans.

WFS works with plan sponsors and fiduciaries of pension and profit sharing retirement plans which may include workshops with employees.

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

Our investment strategies and advice varies depending on each client's specific financial situation. Determining the investments and allocations is customized based on the goals and objectives, risk tolerance, time horizon, financial information, liquidity needs, and other factors.

Portfolios generally consist of one or all of the following: mutual funds, Exchange Traded Funds ("ETFs"), corporate, municipal and government bonds, notes, and Treasury Bills. However, we may recommend other types of investments as appropriate, since each client has different needs and a different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

We do not recommend common or preferred stocks, but will incorporate them into client accounts if the client already holds such assets upon opening their account with WFS. We do not engage in practices that involve frequent trading of securities which would increase transaction costs. We do not recommend or engage in short sales, margin transactions, options, or trying to time the market.

Mutual funds and ETFs are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a

particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange Traded Funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into or sell out of the funds, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests. The mutual funds and ETFs will be selected on the basis of any or all of the following criteria: the fund's performance history, the industry sector in which the fund invests, the track record of the fund's manager, the fund's investment objectives, the fund's management style and philosophy, and the fund's management fee structure.

Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on the financial health of the issuer, the risk that the issuer might default, when the bond is set to mature, and whether or not the bond can be "called" prior to maturity. When a bond is called it may not be possible to replace it with a bond of equal character paying the same rate of return.

Government or Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond, the stability of the revenue stream that is used to pay the interest to the bondholders, when the bond is due to mature, and whether or not the bond can be "called" prior to maturity. When a bond is called it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Strategies and investments may have unique and possibly significant tax implications. However, unless we specifically agree otherwise in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the process of investing your assets. TD Ameritrade reports the cost basis of equities acquired in client accounts and of mutual funds. WFS uses the Highest Cost accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to WFS immediately and we will alert TD Ameritrade of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. This will be recorded in an Investment Guidelines form which will be reviewed periodically and can be changed at any time with a new signed Investment Guidelines form. Clients will retain individual ownership of all securities and receive statements directly from TD Ameritrade.

As mentioned earlier, each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your

financial goals and objectives will be met. Past performance is in no way an indication of future performance.

To minimize risk, we do the following:

1. Determine the client's risk tolerance, goals, time horizon, financial circumstances etc.;
2. Construct portfolios that include assets with varying degrees of risk;
3. Diversify globally;
4. Rebalance periodically in accordance with the agreed upon portfolio asset allocation model;
5. Minimize taxes and transaction costs by limiting trading.

Item 9 Disciplinary Information

Watters Financial Services, LLC, Timothy Watters, CFP® and Colin Watters, CFP® nor any employee has ever had or committed any disciplinary action.

Watters Financial Services, LLC, Timothy Watters, CFP® and Colin Watters, CFP® nor any employee has ever had any arbitration claims, civil or self-regulatory organization proceeding.

Item 10 Other Financial Industry Activities and Affiliations

Watters Financial Services, LLC and Timothy Watters, CFP® and Colin Watters, CFP® are not registered, nor have an application pending to register, as a broker-dealer or as a registered representative of a broker-dealer.

Both Timothy Watters and Colin Watters are recipients of the CERTIFIED FINANCIAL PLANNER™ Professional certification and are members of the Certified Financial Planner Board of Standards.

Timothy Watters and Colin Watters are members of the National Association of Personal Financial Advisors (NAPFA), the country's leading association of Fee-Only financial advisors. NAPFA-Registered Financial Advisors operate on an objective Fee-Only basis which means they do not sell insurance or financial products. Their compensation comes directly from the client.

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

WFS complies with all applicable laws and regulations governing our practices. Our Code of Ethics includes guidelines for professional standards of conduct for our employees. Our goal is to protect your interests at all times and to demonstrate our commitment to our legal fiduciary duties of honesty, good faith, and fair dealing with you. Our Code of Ethics also requires that employees that have access to your investments ("access persons") submit quarterly reports of their personal account holdings and transactions. Additionally, we maintain and enforce written policies and procedures reasonably designed to prevent the misuse or dissemination of material, nonpublic information about you or your account holdings by persons associated with our firm. Our Code of Ethics is available to you upon request.

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure. We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing your

account, we may share limited information with our service providers, such as TD Ameritrade. We do not share your information unless it is required to process a transaction, at your request, or required by law. We may share information with your accountant or attorney if given permission.

Internal access to nonpublic personal information is restricted to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your information and to ensure confidentiality. We will never sell information about you or your accounts to anyone. There is no relationship or arrangement with any issuer of securities.

You will receive a copy of our Privacy Notice prior to meeting with us or at the time you sign either an Investment Management Agreement or Financial Planning Agreement. All clients receive a copy of the Privacy Notice on an annual basis as well as an offer to receive this Form ADV Part 2A brochure.

Neither our firm nor any of our access persons has any material financial interest in client transactions beyond the provision of investment advisory services. Advisors and employees may buy or sell the same securities that are recommended or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our employees nor advisors will have priority over your account in the purchase or sale of securities.

Item 12 Brokerage Practices

We recommend the brokerage and custodial services of TD Ameritrade Institutional, a securities broker-dealer and a member of the Financial Industry Regulatory Authority, the Securities Investor Protection Corporation, and the National Futures Association. We believe TD Ameritrade provides "Best Execution" meaning that TD Ameritrade provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution; we also consider the quality of the brokerage services including the value of research provided, TD Ameritrade's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services TD Ameritrade provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

TD Ameritrade Institutional provides services which include custody of securities, research, trade execution, clearance and settlement of transactions, 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. The institutional platform offers products and services that assist WFS in managing and administering clients' accounts and:

- provides access to client account data and receipt of duplicate trade confirmations and account statements;
- facilitates trade execution of buy and sell transactions;
- provides research, pricing, and other market data and tools;
- facilitates our ability to have advisory fees deducted directly from client accounts;
- assists with back-office functions, keeping records, and client reporting;
- provides access to a trading desk serving WFS;
- provides access to block trading (i.e., the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- provides access to an electronic communications network for client order entry and account information;

- provides access to mutual funds with no transaction fees and to certain institutional money managers.

WFS executes all transactions through TD Ameritrade. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. However, by aggregating all assets managed by WFS, you have access to lower institutional transaction costs and access to funds with higher minimums to the retail investor. WFS may conduct block trades; block trading is the practice of combining multiple orders for shares of the same securities. Accordingly, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

Item 13 Review of Accounts

Timothy Watters, CFP® and Colin Watters, CFP® will monitor your accounts on a continuous basis and will periodically conduct account reviews. The reviews are conducted to ensure the advisory services provided to you and the portfolio mix is consistent with your current investment needs, objectives, and agreed upon portfolio model. You will receive trade confirmations and statements from TD Ameritrade directly. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals;
- year-end tax planning;
- market moving events;
- changes in your goals and objectives;
- security specific events;
- changes in your risk tolerance.

Wealth Management clients do not receive a single written financial planning document, as this service includes a comprehensive and ongoing financial planning. Clients are provided a "Client Engagement Road Map" that breaks down the planning process into assignments or activities that are discussed and acted upon during the client's quarterly meetings. All meetings are followed up with an e-mail or letter summarizing what was discussed, recommendations, and next actions.

Item 14 Client Referrals and Other Compensation

WFS does not give or receive compensation for referrals to or from accountants, attorneys, or other persons. WFS is a Fee-Only firm. The definition of a Fee-Only is that the Advisor is compensated solely by the client with neither the Advisor nor any related party receiving compensation that is contingent on the purchase or sale of a financial or insurance product. The Advisor may not receive commissions, rebates, awards, finder's fees, bonuses, revenue sharing, or other forms of compensation from others as a result of a client's implementation of the recommendations.

Refer to Brokerage Practices (Item 12) for disclosures on benefits WFS receives resulting from the relationship with TD Ameritrade Institutional. WFS does not provide referrals to TD Ameritrade in exchange for cash or other compensation, such as brokerage services or research. WFS does not accept fees, commissions, or other remuneration from TD Ameritrade contingent on the execution of securities transactions. By using TD Ameritrade as its custodian, WFS may receive at no cost or at a discounted rate services provided by third party vendors which may include consulting, research, technology, or practice management products and services. Benefits do include the reimbursement for expenses related to educational seminars and conferences such as meals; meals benefit the Advisors

and staff of WFS and do not directly benefit the clients. The receipt of economic benefits in and of itself creates a potential conflict of interest and may influence our choice of TD Ameritrade for custodian services. The receipt of services from TD Ameritrade does not diminish our legal obligation and fiduciary duty to act in the best interests of our clients.

Item 15 Custody

WFS directly debits the client's account for the payment of the advisory fees. This ability to deduct the advisory fees from the accounts means WFS exercises limited custody over the assets. WFS does not have physical custody of any of the funds and/or securities. The funds and securities are held with TD Ameritrade and the client receives account statements directly from TD Ameritrade at least quarterly. The account statements indicate the amount of advisory fees deducted from the account(s) each billing period. The client also gets an invoice from WFS by mail or e-mail indicating the amount deducted and how it was calculated. The client should carefully review the account statements for accuracy. If the client does not receive a statement directly from TD Ameritrade they should contact WFS and TD Ameritrade.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign an Investment Management Agreement. You determine if managing the investments will be on a discretionary or non-discretionary basis. You decide whether to grant the Advisor discretion over the selection and amount of securities to be purchased or sold for your accounts without obtaining your consent or approval prior to each transaction. If you enter into a non-discretionary arrangement with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You may impose certain conditions or investment parameters and restrictions for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio. Another example are restrictions or prohibitions of transactions in a specific industry or security. These instructions will be recorded in a signed Investment Guidelines form and can be changed at any time with a new signed Investment Guidelines form.

Item 17 Voting Client Securities

We do not provide advice or vote proxies on behalf of your advisory accounts. You are responsible for exercising your right to vote as a shareholder. You should receive proxy materials directly as we do not forward proxy materials to you.

Item 18 Financial Information

We are not required to provide a balance sheet as part of this disclosure document because the firm only has limited custody of client funds or securities, has not been the subject of a bankruptcy petition at any time, does not have a financial condition that is reasonably likely to impair our ability to meet our commitments, and does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance.

Item 19 Additional Information

WFS will neither advise nor act on behalf of the client in legal proceedings or bankruptcies involving companies whose securities are held in the client's account including the filing of "Proofs of Claim" in class action settlements.

WFS is neither a sponsor nor a portfolio manager to wrap fee programs.

Item 20 Requirements for State-Registered Advisors

Refer to Part 2B of the Form ADV brochure for background information about Timothy Watters, CFP® and Colin Watters, CFP®. All material conflicts of interest under CA CCR Section 260.238 (k) are disclosed in this ADV regarding our firm, associated persons or any of our employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

WFS is not engaged in any business other than giving advice through Wealth Management, hourly Financial Planning, and Pension Consulting.

Neither our firm, nor Timothy Watters, CFP® and Colin Watters, CFP® have had or currently have any reportable arbitration claims, civil or self-regulatory organization proceedings.

There is no relationship or arrangement with any issuer of securities.