Item 1 - Cover Page

Yavapai Financial Planning, LLC

An Arizona Registered Investment Adviser

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(928) 445-7238
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Form ADV Part 2A
Firm Brochure

February 7, 2023

This brochure provides clients and prospective clients with information about Yavapai Financial Planning, LLC and the qualifications, business practices, and nature of its services that should be carefully considered before becoming an advisory client.

The contents of this brochure have not been approved or verified by the United States Securities and Exchange Commission (SEC) or any other state or federal governmental authority. While the firm and its associates may be registered with the State of Arizona or other jurisdictions, it does not imply a certain level of skill or training on the part of the firm or its associated personnel.

Questions relative to the firm, its services, or this Form ADV Part 2A may be made to the attention of Mr. Alan Anderson at (928) 445-7238. Additional information about the firm, other advisory firms, or associated investment adviser representatives is available on the Internet at www.adviserinfo.sec.gov.

Item 2 - Material Changes

The firm has amended it's ADV Part 2 from the previous version dated July 5, 2022 to report the firm's assets under management as of its most recent fiscal year-end; please see Item 4 for details.

Alan Anderson's Outside Business Activities (OBA) has changed; please see item 4 of the accompanying Form ADV Part 2B brochure supplement.

Our firm may at any time update this document and either send a copy of its updated brochure or provide a summary of material changes to its brochure and an offer to send an electronic or hard copy form of the updated brochure. Clients are also able to download this brochure from the SEC's website at: www.adviserinfo.sec.gov or may contact our firm at (928) 445-7238 to request a copy at any time.

As with all firm documents, clients and prospective clients are encouraged to review this brochure in its entirety and are encouraged to ask questions at any time prior to or throughout the engagement.

Item 3 - Table of Contents

Information/Terms Found in Brochure

Throughout this document Yavapai Financial Planning, LLC may be referred to as “the firm,” “firm,” “our,” “we,” or “us.” The client or prospective client may be also referred to as “you,” “your,” etc., and refers to a client engagement involving a single *person* as well as two or more *persons*, including legal entities and natural persons. In addition, the term “advisor” and “adviser” are used interchangeably where accuracy in identification is necessary (i.e., firm name, internet address, regulatory term/reference, etc.).

Our firm maintains a business continuity and succession plan that is integrated within the organization to ensure it appropriately responds to events that pose a significant disruption to its operations. A statement concerning the current plan is available under separate cover upon request.

The business and disciplinary history, if any, of an investment advisory firm and its representatives may be obtained by reviewing information available on the SEC’s website at www.adviserinfo.sec.gov.

Item 4 - Advisory Business

About Our Firm

Yavapai Financial Planning, LLC is an Arizona-domiciled registered investment adviser that provides fee-only financial planning and investment advisory services. Our firm is not a subsidiary of, nor does it control, another financial services industry entity. In addition to our registration as an investment adviser in Arizona, our firm and its associates may register or meet certain exemptions to registration in other states in which we conduct business.

From 2000 to 2006, Carl Dwayne Warrick (noted in his accompanying Form ADV Part 2B brochure supplement) was an equal partner in the firm; and in 2007 he became sole shareholder. In 2014, the firm filed a change to its ownership making Alan Anderson the sole shareholder during 2015. In addition to being the majority shareholder of the firm, Mr. Anderson is the firm's Principal and Chief Compliance Officer (supervisor). Additional information about each associated person, their education, and professional experience can be found in their respective Form ADV Part 2B brochure supplement.

As of the firm's fiscal year end December 31, 2022, the firm directly managed approximately $26.725 million, all under non-discretionary account agreements (defined in Item 16). An additional $15.049 million of client assets are served through third-party investment managers; however, these assets are not counted as being under our firm's reportable assets under management.

Our Services

A complimentary interview is conducted by an investment adviser representative of our firm to determine the scope of services to be provided. During or prior to this meeting, we will provide you with our current Form ADV Part 2A firm brochure that incorporates our Privacy Policy, as well as a brochure supplement about the client's representative. Any material conflicts of interest will be disclosed involving the firm and its associates that could be reasonably expected to impair the rendering of unbiased and objective advice, such as information found in Items 5, and 10 through 12 of this firm's brochure. Should you wish to engage our firm, we must enter into a written agreement; thereafter discussion and analysis will be conducted to determine your financial need, goals, holdings, etc. It is important that the information or financial statements you provide are accurate. We may (but are not obligated to) verify the information you have provided and that will be used in the planning or advisory process.

Financial Planning Services

Advice may be provided on such subjects as cash flow analysis and debt management, retirement capital needs, education funding, risk management, charitable or philanthropic planning, tax strategies and estate planning, or other specific requirement you may request. Depending on the scope of the engagement, we may require the following documents:

- Copies of wills and Trusts
- Insurance policies
- Mortgage information
- Tax returns
- Current financial specifics including W2's or 1099s
- Information on current retirement plans and benefits provided by your employer
- Statements reflecting current investments in retirement and non-retirement accounts, and
- Completed risk profile questionnaires or other forms provided by our firm.

Our financial planning services may be broad-based or more narrowly focused as you desire. Note that when these services focus only on certain areas of your interest or need your overall financial situation or other financial needs may not be fully addressed due to the limitations you may have established.

Investment Consultation Services

Our investment consultation services may involve providing information on the types of investment vehicles available, investment analysis and strategies, asset selection, as well as assisting you in establishing your own investment account at a selected broker/dealer or custodian of your choosing or with specific transactions if you prefer. You will retain full discretion over all implementation decisions and are free to accept or reject any recommendation we make. Further, it remains your responsibility to promptly notify us if there is any change in your financial situation or investment objectives for the purpose of our reviewing, evaluating, or revising previous recommendations and/or services.

Workshop Presentations

We may provide educational workshops on an "as announced" basis for groups desiring general advice on investments and personal finance. Topics include issues related to wealth management, financial planning, retirement strategies, or various other economic and investment topics. Our workshops are educational in nature and do not involve the sale of any investment products. Information presented will not be based on any one person's need, nor do we provide individualized investment advice to attendees during general sessions.

Selection of Other Investment Advisers

When appropriate for your investment strategy and objectives, we may refer you to unaffiliated third-party investment advisers for participation in the third-party adviser's managed program using model portfolios these other firms have developed. Prior to recommending a third-party investment adviser, our firm will conduct what we believe to be an appropriate level of due diligence on the recommended third-party investment adviser to include ensuring they are registered or notice-filed in your jurisdiction, and that their strategies align with your goals.

We will provide you with a "disclosure brochure" when required, as well as each suggested third-party investment adviser's Form ADV Part 2A Firm Brochure and/or Appendix-1 wrap fee program brochure that describes detailed information about their firm, to include their name, SEC and/or Central Registration Depository (CRD) number, investment philosophy and/or style, allowed portfolio restrictions, any material matters (e.g., how they are registered, any disciplinary matters, etc.).[1] These third-party investment advisers manage your account in accordance with their firm disclosure brochure and associated documents that will be provided to you by our firm in advance of your selection of a third-party investment adviser. Generally, these services are conducted by the third-party investment adviser under a discretionary account agreement (defined in Item 16).

We may also use the services of third-party asset allocators (advisers) who offer asset allocation and ongoing management of your account. These programs are designed to assist in determining your risk profile and investment objectives and provide a relevant asset allocation policy. Such programs will provide ongoing rebalancing of your account assets and provide their own performance reports.

In either case, we typically gather information about your financial situation, investment objectives and reasonable restrictions you may want to impose on the management of the account. We then provide this

[1] In concurrence with A.R.S. § 44.3102, A.A.C. § R14-6-205.G through I, and 17 CFR § 275.206(4)-3, our firm will separately provide the Form ADV Part 2A firm brochure and/or Appendix-1 wrap fee program brochure for each recommended third-party adviser which includes the information enumerated in this paragraph and any associated fees for that third-party investment adviser.

information to the third-party investment adviser with your prior permission, who then prepares an investment proposal, investment policy statement, or asset allocation for you to consider employing through their firm. You are free to accept or reject our referral to a third-party adviser, as well as any selected third-party investment adviser itself.

Asset Management Services

Our firm also offers customized investment management services for accounts with a minimum of $250,000 of investible assets under our management at our selected custodian. We generally offer this for those requiring the inclusion of individual securities, unique asset classes, or other modifications or services not normally available through the third-party investment advisers earlier noted. Our asset management services are provided under a non-discretionary authority agreement, which is further described in Item 16 of this brochure. Our portfolio strategy and recommended investments are detailed in Item 8.

When appropriate, we will assist in preparing an investment policy statement (IPS), or similar document, reflecting a client's investment objectives, time horizon, risk tolerance, as well as any account constraints. The IPS will be designed to be specific enough to provide ongoing guidance while concurrently allowing flexibility to respond to changing market conditions. Since the IPS will to a large extent be a product of information and data provided by a client, they will be responsible for review and final approval of the statement. Under this engagement we generally provide:

- Investment selection and execution
- Regular account reporting
- Assist in rebalancing of your portfolio in accordance with your IPS when required
- Tactical reallocation of your portfolio due to changes in the economy, your objectives, or due to the performance of the selected investment manager, and
- Tax-loss harvesting, when appropriate.

Retirement Plan Advice and Rollovers

As a registered investment adviser, our firm is a fiduciary to every client, meaning that we are obligated to act in our clients' best interest at all times. In addition to our fiduciary status as an investment advisory firm, when our firm provides advice to retirement investors, such as advice about an employer-sponsored retirement plan, individual retirement account (IRA) or other qualified retirement plan, we may also be considered by the US Department of Labor and the Internal Revenue Service to be acting as a fiduciary under Title I of Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code. These fiduciary obligations include requirements that we disclose our services and fees, conflicts of interest, and the reasons our recommendations are in the client's best interests. After an analysis of the client's situation and their retirement plan documents, we will consider relevant factors including but not limited to the following:

- alternatives to rolling the employer plan to an IRA, including leaving the money in an employer's retirement plan (if permitted); rolling the money to a new employer plan if available; or cashing out
- fees and expenses associated with both the employer's plan and the rollover IRA (or other alternatives such as noted above) and whether the employer currently pays for some or all plan expenses
- different levels of services and investments available under the employer plan and the rollover IRA, and other alternatives
- whether the rollover is appropriate in light of any additional costs and the resultant decrease in the client's return
- treatment of withdrawals under each alternative (e.g., penalties up to age 55 vs. 59½ years old)

- protection from creditors and legal judgments (unlimited vs. bankruptcy only; federal- and state-specific)
- required minimum distributions
- tax implications of rolling shares of employer stock, and
- impact of economically significant investment features such as surrender schedules and index annuity cap and participation rates (e.g., an employer-sponsored § 403(b) plan account).

The affected client will be made aware of conflicts of interest including but not limited to whether our firm will profit from a recommendation, and whether services we offer are already provided by or available through their current plan, potentially at no additional cost.

General Information

While we may suggest another investment adviser to service an account, we do not sponsor or serve as portfolio manager for a wrap fee investment program. We do not provide accounting or legal services. With your consent, we may work with your other professional advisers (accountants, attorneys, etc.) to assist with coordination and implementation of accepted planning strategies. You should be aware that these other advisers may bill you separately for their services and these fees will be in addition to those of our firm.

Item 5 - Fees and Compensation[2]

Fee Schedules

Services to be provided and the anticipated fee range are detailed in the written service agreement. Fees for these services are negotiable at the discretion of our firm principal and comparable services may be provided by other investment advisers for a lower fee.

Hourly Fees

We provide our financial planning and investment consultation services under an hourly engagement. Prior to entering into this agreement, you will receive an estimate of the fee range. Our fee will be based on the estimated number of hours to complete the project, determined by an assessment of your needs, complexity, among other factors, and at our current rate of $150 per hour. You are billed for the time spent by our firm, which is assessed in six-minute increments, and a partial increment will be treated as a whole. Our firm may require a deposit for initial engagements in the amount of the lesser of $500 or one-half of the lower end of the estimated fee range. The balance of fees due are payable immediately upon our presentation of the plan or advice to you or your legal agent.

Fixed Fees

At our discretion, we may offer our services on a fixed fee basis, ranging from $500 to $15,000. The fee takes into consideration factors such as the complexity of your financial profile, value of the overall portfolio, number of individual accounts comprising a portfolio, whether you or our firm will implement transactions for the account(s), among others.

Workshop Fees

Our workshop engagements are generally *pro bono* in nature. In the event there is a charge for a workshop, it is anticipated to be paid by the engagement sponsor, such as an employer or association.

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[2] Our firm reserves the right to assess a lower fee to its associates and related persons' accounts maintained by the firm through its selected custodian. Although the firm is not obligated to do so, clients that maintain an active engagement agreement with the firm that precedes the date of this brochure may be assessed a lower fee.

Fees for these events are typically a fixed amount based on the firm's hourly fee and/or cost of workshop materials and would be negotiated with the sponsor in advance of the presentation.

Third-Party Investment Advisers

Each third-party investment adviser program has a stated fee range that will be described via each investment adviser's disclosure documents prior to the selection of the third-party investment adviser. The total third-party investment adviser annualized asset-based fee assessed a client account ranges from 0.50% to 1.75% (50 to 175 basis points). At no time will the total fee exceed 2.00% (200 basis points), which would be considered an excessive fee. The fee is paid to the third-party investment adviser in advance or arrears, on a monthly or quarterly basis, per the selected third-party investment adviser's disclosure documents. Our firm receives a portion of the total fee assessed for our due diligence, assistance in selection, and ongoing consultation for this form of advisory services engagement that will be described in our agreement with you. Our fee ranges from 0.20% to 1.05% (20 to 105 basis points) deducted from the total asset-based fee. Our portion of the advisory fee will be remitted directly to our firm via the selected third-party investment adviser. We are not directly involved in the billing process of third-party investment advisory accounts.

Asset Management Services

When you choose to engage Yavapai Financial Planning, LLC directly for its asset management services, an annualized asset-based fee will be assessed on a quarterly basis (in arrears) by our firm on a graduated basis as noted in the following table.

Fee Formula: **((quarter-end market value) x (applicable annualized number of basis points)) ÷ 4**

Assets Under Management	Annualized Asset-Based Fee
First $400,000	0.95% (95 basis points)*
Next $600,000	0.75% (75 basis points)
Next $2,000,000	0.50% (50 basis points)
Amount in Excess of $3,000,000	0.35% (35 basis points)

**Subject to a minimum account fee of $240 per quarter.*

We may aggregate or *household* accounts (including multiple accounts) for the same individual, or two or more accounts within the same family, or accounts where a family member has power of attorney over another family member or incompetent person's account. Should investment objectives be substantially different for any two or more household accounts requiring different investment approaches, we do reserve the right to apply our fee schedule separately to each account.

Annualized asset-based fees for our asset management services will be billed quarterly, in arrears. Fee payments will normally be assessed within 10 business days following each calendar quarter billing period. An account's first billing cycle will occur at the end of the first quarter that the account is funded. This is irrespective of a partial period under our management; however, a partial period may be assessed a pro-rated fee.

For purposes of determining account asset values, securities and other investment instruments traded on a market in which actual transaction prices are publicly reported will generally be valued at the last reported sale price on the principal market in which they are traded. If there are no sales on such date, then they will be determined by the mean between the *closing bid* and *asked price* on that date. Other readily-marketable securities will be valued using a pricing service or through quotations from one or more inter-market dealers.

In the absence of a market value, we may seek an independent third-party opinion or through a good faith determination by a qualified associate of our firm.

The applicable fees referenced include all fees and charges for the services of our firm and our investment adviser representatives. You will be required to authorize our firm in writing through the execution of our engagement agreement, as well as account opening documents of the selected custodian or broker/dealer ("service provider"), to authorize that service provider to deduct and remit to us our advisory fees from your account. All fees will be noted on your statements you receive from the account custodian. When required by the state where the client resides, we will send a written notice of the fees to be deducted from an account which will include the total fee assessed, covered time period, calculation formula utilized, and the assets under management on which the fee has been based. We encourage clients to review our invoice for accuracy of fee calculations based on their custodian's account statement. Please note that if there is not adequate cash in brokerage/custodial accounts to pay these fees, it may be necessary to liquidate account holdings (subject to suitability standards) to cover fees due to our firm or the selected service provider.

Termination of Services

Either party may terminate the agreement at any time, which will typically be in writing. Should you verbally notify our firm of the termination and, if in two business days following this notification, we have not received your notice in writing, we will make a written notice of the termination in our records and send you our own termination notice as a substitute. For asset management services accounts, our firm will not be responsible for future allocations, transactional services, or investment advice upon receipt of a termination notice. Upon termination, it will be necessary that we inform the custodian of the account or third-party investment adviser that the relationship between the firm and the client has been terminated.

If you are a new client of our firm and did not receive our Form ADV Part 2A firm brochure at least 48 hours prior to entering into our firm's agreement, then you have the right to terminate the engagement without penalty within five business days after entering into the contract. In the case of any prepaid fees involving any of our services engagements, we will promptly return any unearned amount.

If you terminate a financial planning or investment consultation engagement after the fifth business day, you may be invoiced for any time charges incurred by our firm in the preparation of your plan.

If an educational workshop attendee or sponsor cancels within 24 hours of the first session, fees are normally not subject to a refund due to operational costs borne by our firm, but we will typically credit the fee toward a future educational session presented by our firm.

For asset management services accounts that terminate their agreement after the five business-day rescission period, we will assess our fee on a prorated basis for services incurred from either (*i*) as a new client, the date of the engagement to the date of the firm's receipt of the written notice of termination, or (*ii*) all other accounts, the last billing period to the date of the firm's physical or constructive receipt of written termination notice. If we are unable to deduct our fees from an account at our custodian of record, then our earned fees will be due upon the client's receipt of our invoice.

The return of third-party investment adviser fees would be in accordance with the policies disclosed in the selected third-party investment adviser agreement. If a third-party investment adviser assesses fees in advance, our firm is under no obligation to return fees to a client who terminates their advisory contract with the third-party investment adviser before the end of the billing period. The return of payment will occur via the third-party investment adviser, not via our firm.

Additional Fee Information

Specific product recommendations made by our firm usually involve "no-load" (i.e., no commission) products, if available, or low-load products. In some cases, such as with actively managed mutual funds and insurance, there may not be a suitable selection of no-load products available for recommendation; however, neither our firm nor our associates will be paid a commission on your purchase.

Any transactional or custodial fees assessed by the selected service providers, individual retirement account fees, or qualified retirement plan account termination fees are borne by the account holder as provided in current, separate fee schedules of the selected service provider. Fees paid to our firm for our services are separate from any charges you may pay for mutual funds, exchange-traded funds (ETFs), or other investments of this type. We do not receive SEC Rule 12b-1 fees ("trails") from a mutual fund company. Fees charged by these issuers are detailed in their prospectuses or product descriptions and you are encouraged to read these documents before investing. Our firm and its associates receive none of these described or similar fees or charges. Clients are free to accept or decline our investment recommendations and may purchase recommended investments through another broker/dealer or agent not affiliated with our firm.

Further information about our fees in relationship to operational practices with our custodian is noted in Item 12 of this document.

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

Our fees will not be based upon a share of capital gains or capital appreciation (growth) of any portion of managed funds, also known as "performance-based fees." Yavapai Financial Planning, LLC does not use a performance-based fee structure because of the potential conflict of interest this type of fee structure may pose. Performance-based compensation may create an incentive for a firm to recommend an investment that may carry a higher degree of risk to a client.

Side-by-side management refers to a firm simultaneously managing accounts that do pay performance-based fees (such as a hedge fund) and those that do not; this type of arrangement, and the conflict of interest it may pose, is also not applicable to our firm's practices.

Item 7 - Types of Clients

We offer services to individual investors, high net worth investors, trusts, estates, charitable organizations, businesses, and are available to pension plans, profit-sharing plans, and businesses of various scale to assist them in meeting their financial objectives in what is believed to be a cost-effective way.

We do not require minimum income levels, minimum level of assets, or other conditions for our financial planning and investment consultation services. Refer to Items 4 and 5 for information about our minimum account size and quarterly fee involving our firm's asset management services. Certain third-party investment advisers may also require a minimum account size or fee to engage their services, and these will be further described in the third-party investment adviser's Form ADV Part 2A or similar disclosure document.

Our firm reserves the right to waive or reduce certain fees based on unique individual circumstances, special arrangements, pre-existing relationships or as otherwise may be determined by the firm principal. We also reserve the right to decline services to any client or prospective client for any non-discriminatory reason.

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

Method of Analysis

If we are engaged to provide any of form of investment advice, we will first evaluate several factors, including your:

- current financial situation
- current and long-term needs
- investment goals and objectives
- level of investment knowledge, and
- tolerance for risk.

We employ what we believe to be an appropriate review and analyses designed to develop effective long-term investment strategies. Our analysis involves evaluating economic factors including interest rates, current state of the economy, future growth of an issuer or sector, as well as studying securities, markets, or entire economies to determine potential future behaviors. Our research and recommendations may be drawn from sources that include financial publications, investment analysis and reporting software, research materials from outside sources, corporate rating services, annual reports, prospectuses and other regulatory filings, and company press releases. We make asset allocation and investment policy decisions based on these and other factors. We will then discuss with you how, in our best judgment, to meet your objectives while at the same time seeking a prudent level of risk exposure.

Investment Strategy

Our portfolios are generally constructed based on the principles of Modern Portfolio Theory which centers around the idea of creating an efficient, or optimized, portfolio by combining various securities, asset classes, and investing styles with the goal of maximizing expected future return for each unit of expected risk. Long-term historical risk, return, and cross-asset correlation data and trends are utilized as a baseline for developing forward-looking risk and return expectations for individual investment categories or styles. These assumptions may then be adjusted to account for prevailing market or economic conditions, anticipated demographic shifts or changes in investor demand and fund flows, and shifts in perceived tail-risk probabilities to better account for current market environments. Modern Portfolio Theory influences our asset allocation approach, but it traditionally does not incorporate specific consideration for the downside risk of portfolio components and the portfolio as a whole. The firm believes that greater attention should be focused on the potential for "tail risk"[3] or "black swan"[4] events when constructing asset allocation portfolios and delivering investment advice to clients. This is accomplished with scenario analysis and portfolio stress testing via a thorough and critical review of back-tested portfolio performance at various points in history, coupled with real-world observations and insights regarding any unique risk factors present in the contemporary market environment.

We also believe that asset allocation is a key component of portfolio design and that the appropriate allocation of assets across diverse investment categories (stock vs. bond, foreign vs. domestic, large cap vs. small cap, etc.) is a primary determinant of portfolio returns and critical to the long-term success of an investor's financial objectives. We will recommend the rebalancing of a portfolio to maintain optimal allocation while minimizing tax exposures and trading costs.

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[3] **Tail Risk** is a form of portfolio risk that arises when the possibility that an investment will move more than three standard deviations from the mean is greater than what is shown by a normal distribution.

[4] A **Black Swan** is an unpredictable event that is beyond what is normally expected of a situation and has potentially severe consequences. Black swan events are characterized by their extreme rarity, severe impact, and the widespread insistence they were obvious in hindsight.

Yavapai Financial Planning, LLC generally develops diversified portfolios principally through cost-efficient institutional mutual funds or ETFs whenever feasible. Existing positions within an account will be evaluated and may be recommended to remain when deemed appropriate.

Risk of Loss

Our firm believes its strategies and investment recommendations are designed to produce the appropriate potential return for the given level of risk; however, there is no guarantee that a planning goal or investment objective will be achieved. Past performance is not necessarily indicative of future results. Investing in securities involves risk of loss that clients should be prepared to bear. While the following list is not exhaustive, we provide examples of such risk in the following paragraphs, and we believe it is important that our clients review and consider each prior to investing. Some of the risks noted in the following paragraphs are reflective of an ETF or mutual fund's underlying assets/holdings.

Active Management

While not an investment strategy we recommend, we think it is important to note that a portfolio employing active management at times may outperform or underperform various benchmarks or other strategies. In an effort to meet or surpass these benchmarks, active portfolio management may require more frequent trading or "turnover." This may result in shorter holding periods, higher transactional costs and/or taxable events generally borne by the client, potentially reducing, or negating certain benefits of active asset management.

Catastrophic Risk

Natural or man-made catastrophes can disrupt financial markets and impact securities prices. Examples include terrorist attacks, natural disasters, war, etc. Investment companies can use "exigent circumstances" or "force majeure" as a defense against claims of loss by investors.

Company Risk

When investing in securities, such as stocks, there is always a certain level of company or industry-specific risk that is inherent in each company or issuer. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. This is also referred to as *unsystematic risk* and can be reduced or mitigated through diversification.

Country/Regional Risk

World events such as political upheaval, financial troubles, or natural disasters will adversely affect the value of securities issued in foreign countries or regions. This risk is especially high in emerging markets where securities may be substantially more volatile and less liquid than securities in more developed countries. Because registered investment company securities (e.g., a mutual fund) may invest a large portion of its assets in securities located in any one country or region, including emerging markets, its performance may be hurt disproportionately by the poor performance of its investments in that area.

Currency Risk

The risk of loss from fluctuating foreign exchange rates when a portfolio has exposure to foreign currency or in foreign currency traded investments is known as currency risk.

Defensive Risk

Due to concerns about possible market declines, on occasion a portion of a portfolio may be allocated to cash or cash equivalents. In doing so, that portfolio may miss opportunities to realize subsequent increases in the value of other investments.

Derivatives Risks

Futures contracts, forward contracts, options, and swaps may be employed by mutual fund or ETF managers, and are subject to market risk, leverage risk, correlation risk, liquidity risk and hedging risk. Market risk is the risk that the market value of an investment may move up and down, sometimes rapidly and unpredictably. Leverage risk is the risk that since derivatives may be purchased for a fraction of their value, a relatively small price movement in a derivative may result in an immediate and substantial loss or gain for an account and may also cause an account to liquidate portfolio positions when this would not be advantageous to do so to satisfy account obligations. Correlation risk is the risk that changes in the value of the derivative may not correlate perfectly or at all with the underlying asset, rate, or index. Liquidity risk is described below. Hedging risk is the risk that derivative instruments used for hedging purposes may also limit any potential gain that may result from the increase in value of the hedged asset. To the extent that an account engages in hedging strategies, there can be no assurance that these strategies will be effective or that there will be a hedge in place at any given time. A fund's use of forwards and swaps is also subject to credit risk and valuation risk. Credit risk is the risk that the counterparty to a derivative contract will default or otherwise become unable to honor a financial obligation. Valuation risk is the risk that the derivative may be difficult to value. Options risk is more-fully described below. Each of these risks could cause an investment to lose more than the principal amount invested in that derivative instrument.

Distressed Securities

Distressed securities, whether debt or equity instruments, are issued by a company that is near or currently going through bankruptcy. A security can be considered "distressed" if it fails to maintain certain covenants, such as the requirement to meet specific bond obligations, or the inability to maintain a particular "asset to liability ratio," or credit rating. As a result, these financial instruments suffer substantial reduction in their value. Due to implicit risk, they offer higher-risk investors the potential for high returns ("buy-low, sell-high"). Obviously, since they are "distressed," they have a higher risk of failure and can fall to a "worthless" status.

Emerging Markets Securities

Investments in emerging markets securities are considered speculative and subject to heightened risks in addition to the general risks of investing in foreign securities. Unlike more established markets, emerging markets may have governments that are less stable, markets that are less liquid, and economies that are less developed. In addition, the securities markets of emerging market countries may consist of companies with smaller market capitalizations and may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible restrictions on repatriation of investment income and capital. Foreign investors may be required to register the proceeds of sales, and future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies.

Equity (Stock) Risk

Common stocks are susceptible to general stock market fluctuations and to volatile increases or decreases in value as market confidence in and perceptions of their issuers change. If an investor held common stock or common stock equivalents of any given issuer, they may be exposed to greater risk than if they held preferred stocks and debt obligations of the issuer.

Preferred stocks can be affected by interest rate and liquidity risks (described in adjacent paragraphs). Also note that their dividend payment is not guaranteed; some are subject to a call provision, meaning the issuer can redeem its preferred shares on demand, and usually when interest rates have fallen.

Exchange-Traded Funds

ETF risks include risks due to their underlying securities (e.g., stocks, bonds, etc.), and can be affected by risks such as market, currency, credit, political, interest rate, etc., that are described in adjacent paragraphs. The liquidity of the underlying stocks in the index can affect "ETF liquidity." Liquidity risk can result from an insufficient number of "active participants" performing their duties as intermediaries and liquidity providers in the ETF market. "Spread risk" may also occur, which is the difference between the bid and the ask price of a security. Since ETF transactions are priced throughout the day and are traded on the exchanges like stocks, widening spreads may occur and have impact on certain portfolios or transactions. As with any security, if the ETF "fails," an investor may lose their gains and invested principal. ETFs can carry additional expenses based on their share of operating expenses and certain brokerage fees. Indexed ETFs have the potential to be affected by "active risk;" a deviation from its stated index.

Leveraged and/or inverse ETFs attempt to achieve multiples of the performance of an index or benchmark or the opposite (inverse) of the performance of the tracked index or benchmark. This strategy attempts to increase profit from upward drifting markets, or hedge exposures to, downward drifting markets. There is risk involving this strategy and part of the concern is due to leveraged and inverse exchange traded funds "reset" daily, which means they are designed to achieve their stated objectives on a *daily basis.* It is due to the compounding effect of daily adjustments that ETF performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of an underlying index or benchmark during the same period. This effect is potentially magnified during volatile markets. If effects contrary to the ETF strategy occur, losses may be significant; therefore, leveraged and/or inverse ETFs will be considered for portfolios either properly hedged or for clients able to sustain potentially higher risks.

Failure to Implement

Each financial planning client is free to accept or reject any or all recommendations made by our firm. While no advisory firm can guarantee future performance, no plan can succeed if it is not implemented. Clients who choose not to take the steps recommended in their financial plan may face an increased risk that their stated goals and objectives will not be achieved.

Financial Risk

Excessive borrowing to finance business operations increases the risk of profitability, because a 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.

Fixed Income Risks

Various forms of fixed income instruments, such as bonds, money market or bond funds may be affected by various forms of risk, including:

- *Call Risk* - During periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupons or interest rates before their maturity dates. The owner of the bond would then lose any potential price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the owner's income. Call risk is generally low for short-term bond funds, moderate for intermediate-term bond funds, high for long-term bond funds, and high for high-yield bonds.

- *Credit Risk* - The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. Bondholders are creditors of an issuer and have priority to assets before equity holders (e.g., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.

- *Interest Rate Risk* - The risk that the value of the fixed income holding will decrease because of an increase in interest rates. The longer the maturity of the bond, the more sensitive its value is to changes in interest rates. Bond prices and interest rate changes are inversely correlated.

- *Prepayment Risk* - The prepayment risk is the premature return of principal on a fixed-income security. When principal is returned early on a security, future interest payments will not be paid on that part of the principal. The owner of the security would lose any price appreciation above the principal and be forced to reinvest the unanticipated proceeds possibly at lower interest rates, resulting in a decline of dividends, income, and returns. The risk of prepayment is most prevalent in fixed-income securities such as callable bonds and mortgage-backed securities.

- *Reinvestment Risk* **-** With declining interest rates, investors may have to reinvest interest income or principal at a lower rate.

- *State Government and Municipal Securities Risk* - State government and municipal securities are subject to various risks based on factors such as economic and regulatory developments, changes or proposed changes in the federal and state tax structure, deregulation, court rulings and other factors. Repayment of state and municipal securities depends on the ability of the issuer or project backing such securities to generate taxes or revenues. There is also a risk the interest on an otherwise tax-exempt municipal security may be subject to federal income tax. Unfavorable developments in any economic sector may have far-reaching ramifications on the overall state and municipal market.

- *US Government Securities Risk* - US government securities are subject to varying interest rates and inflation risks. Not all US government securities are backed by the full faith and credit of the US government. Certain securities issued by agencies and instrumentalities of the US government are only insured or guaranteed by the issuing agency or instrumentality, which must rely on its own resources to repay the debt. As a result, there is risk these entities will default on a financial obligation.

Foreign Securities Risk

Investments in securities of foreign companies, including direct investments as well as investments through American Depository Receipts (ADRs), can be more volatile than investments in US companies. Diplomatic, political, or economic developments, including nationalization or appropriation, could affect investments in foreign companies. Foreign securities markets generally have less trading volume and less liquidity than US markets. In addition, the value of securities denominated in foreign currencies, and of dividends from these securities, can change significantly when foreign currencies strengthen or weaken relative to the US dollar. Financial statements of foreign issuers are governed by different accounting, auditing, and financial reporting standards than the financial statements of US issuers and may be less transparent and uniform than in the United States. Thus, there may be less information publicly available about foreign issuers than about most US issuers. Transaction costs generally are higher than those in the US and expenses for custodial arrangements of foreign securities may be somewhat greater than typical expenses for custodial arrangements of similar US securities.

Some foreign governments levy withholding taxes against dividend and interest income. Although in some countries a portion of these taxes are recoverable, the non-recovered portion will reduce the income received from the securities comprising an account's portfolio. These risks may be heightened with respect to emerging market countries since political turmoil and rapid changes in economic conditions are more likely to occur in these countries.

Fundamental Analysis

The challenge involving fundamental analyses is that information obtained may be incorrect; the analysis may not provide an accurate estimate of earnings, which may be the basis for a security's value. When a security's price adjusts rapidly to new information, such an analysis may result in unfavorable performance.

Index Investing

Index ETFs and indexed funds have the potential to be affected by "active risk" or "tracking error risk;" which might be defined as a deviation from a stated benchmark. Since the core portfolio attempts to closely replicate a stated benchmark, the source of the tracking error or deviation may come from a satellite portfolio or position, or from a "sample" or "optimized" index ETF or mutual fund that may not as closely align the stated benchmark.

Inflation Risk

Also called *purchasing power risk*, inflation risk is the chance that the cash flows from an investment will not be worth as much in the future because of changes in purchasing power due to inflation.

Legal or Legislative Risk

Legislative changes or court rulings may adversely impact the value of individual investments, market sectors, or the overall market.

Liquidity Risk

Liquidity risk is the inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. There are times when there is no trading volume/market depth to support a security's current price. As such, the true value of the bond (for example) may not be supported by the current price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.

Long/Short Investing

The objective of long/short investment strategy is to seek risk-adjusted returns with low market correlation. A portfolio manager (aka. third-party investment adviser or mutual fund manager) attempts to accomplish this objective primarily through a combination of long investment positions and short selling to achieve capital appreciation while attempting to preserve capital and mitigate risk through hedging activities. This strategy principally involves using equities and equity-based ETFs, but may also involve non-equity ETFs (i.e., bond ETFs, commodity ETFs). "Shorting" or "short sale" is the sale of a security, futures contract or similar investment vehicle not owned by the investor with the belief that the price of the security or futures contract (index or benchmark) will fall and allow the investor to buy the position at the lower price to make a profit. If, however, the price of the security or futures contract (or index) rises and requires the investor to buy it back later at the higher price, it may result in a loss. Also, due to its relaxed restrictions on the use of short positions and leverage, this type of investment strategy can have extended market exposures.

Macroeconomic Risk

Macroeconomic risk derives from the behavior of industries and governments and the relationships between them rather than from individual companies. It concerns fiscal and monetary policies, trade and investment flows and political developments on a national and international scale. Business cycles, depressions, inflation, unemployment, interest rates, valuations, prices, and imports/exports volumes are all unpredictable and can lower or destroy investment portfolios. Central banks and governments often resort to inflationary policies and excessive fiat currency issuance through borrowing and printing. These macroeconomic maneuvers may possibly support or increase the nominal value of investment assets short term but lead to inflation and asset bubbles and later crashes.

Margin Accounts

Our firm does not generally suggest to a client to purchase securities on margin. Margin accounts incur additional risks, such as:

- The broker/dealer holding the margin account typically charges interest on the money it lends to a client so that they may purchase securities on margin
- Additional account charges incurred opening a margin account
- The decline in the value of margined securities typically require the account holder to provide additional funds to the broker/dealer (e.g., a "margin call")
- If the equity in a margin account falls below the maintenance margin requirements, the broker/dealer may sell securities held in the account to cover the deficiency and the account holder is normally responsible for any shortfall in the account after the sale
- The broker/dealer maintaining the margin account may, but is not required to, contact the account holder to sell securities to meet a margin call, and
- The broker/dealer may, but is not required to, provide the account holder with an extension of time to meet margin call requirements.

Market Risk

This is also called systematic risk. In cases where markets are under extreme duress, many securities lose their ability to provide diversification benefits.

Money Market Funds

A money market fund is managed to maintain a stable net asset value (NAV) of $1 per share, the value of the fund may fluctuate, and you could lose money (termed "breaking the buck"). Money market funds are a type of mutual fund investing in high-quality, short-term debt securities, pays dividends that generally reflect short-term interest rates and seeks to maintain a stable NAV per share (typically $1). An investment in a money market mutual fund is generally not insured or guaranteed by the Federal Deposit Insurance Corporation, National Credit Union Share Insurance Fund, or any government agency.

Mutual Funds

As with ETFs, the risk of owning a mutual fund is reflected in the underlying security(ies). Mutual funds are affected by risks such as market, interest rate, currency, credit, political, active risk, etc., as described in adjacent paragraphs. It is important to note that even "conservative" funds, such as a money market fund or fixed income fund, can and have lost their value below the principal amount invested.

Mutual funds typically carry additional expenses based on their share of operating expenses and trading (brokerage) fees, which may result in the potential duplication of certain fees paid by the investor. Indexed mutual funds can also be adversely affected by “QDI ratios” that are described in a following paragraph.

There are essentially nine main types of mutual fund shares classes, as well as sub-classes for some of these. Some open and closed-ended funds are sold through brokerage firms and assess a commission (“load) in addition to their underlying fees earlier noted, while others are offered through investment advisers, retirement plans and other institutions. “No load” funds are also available to the public through brokerage firms, and they usually incur trading (brokerage) fees. If a client chooses to purchase a mutual fund on their own through a broker/dealer, they should consider the trading fees, internal operating costs, as well as potential commissions they pay through that executing firm. Our firm is not a broker/dealer, nor is the firm or its staff associated with a broker/dealer, and no one in our firm is compensated by a “loaded” fund.

Operational Risk

The potential for loss resulting from inadequate or failed internal processes, systems, actions of people, or external events. Many industries institute policies and procedures to respond and initiate alternative or supporting operations following a significant business disruption, while others do not. The level of operational risk and appropriate response are not uniform in definition, requirement, or measurement, including within the financial services sector.

Options Risks

We do not typically suggest the use of options within client portfolios, but the mutual fund managers and third-party investment advisers that we recommend may choose these investments. Risks involving options trading are detailed in the Chicago Board Options Exchange’s “The Characteristics and Risks of Standardized Options” brochure that we will provide to you upon request or may be found at their website at: http://www.cboe.com. We have provided general considerations involving options in the following statements.

Option Buyer’s Risks

- The risk of losing the entire investment in a relatively short period of time
- The risk of losing the entire investment increases as an option goes out of the money and as expiration nears
- European style options that do not have secondary markets in which to sell options prior to expiration only realize their value upon expiration
- Specific exercise provisions of a specific option contract may create enhanced risk, and
- Regulatory agencies may impose exercise restrictions, which may deter the investor from realizing value.

Option Seller’s Risks

- Options sold may be exercised at any time before expiration
- Covered call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock
- Writers of a “naked call” risk unlimited losses if the underlying stock rises; the writer of a “naked put” risk unlimited losses if the underlying stock drops. The writer of naked positions run margin risks if the position goes into significant losses, which may include liquidation by the broker/dealer of record. In addition, the writer of a “naked call” is obligated to deliver shares of the underlying stock if those call options are exercised.

- Writers of call options can lose more money than a short seller of that stock on the same rise on that underlying stock due to leveraging used in option strategies
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options
- Writers of stock options are obligated under the options that these writers sold even if a trading market is not available or that they are unable to perform a closing transaction, and
- The value of the underlying stock may unexpectedly surge or drop which may lead to an automatic exercise.

Passive Management

If a portfolio employs a passive, efficient markets approach, there is a risk of generating lower-than-expected returns due to its broad diversification when compared to a portfolio more narrowly focused.

Political Risk

The risk of financial and market loss because of political decisions or disruptions in a particular country and may also be known as "geopolitical risk."

Qualified Dividend Income Ratios

While ETFs and mutual funds are known for their potential tax-efficiency and higher "qualified dividend income" (QDI) percentages, there are asset classes within these investment vehicles or holding periods that do not benefit. Shorter holding periods, as well as commodities and currencies (possible underlying holding of an ETF or mutual fund), may be considered "non-qualified" under certain tax code provisions. We will consider a holding's QDI when tax-efficiency is an important aspect of the client's portfolio.

Regulatory Risk

The risk of having the "license to operate" withdrawn or suspended by a regulator or having conditions or rule interpretations applied (retrospectively or prospectively) that adversely impact the economic value of a firm or an investment.

Research Data

When research and analyses are based on commercially available software, rating services, general market and financial information, or due diligence reviews, a firm is relying on the accuracy and validity of the information or capabilities provided by selected vendors, rating services, market data, and the issuers themselves. While our firm makes every effort to determine the accuracy of the information received, we cannot predict the outcome of events or actions taken or not taken, or the validity of all information researched or provided which may or may not affect the advice on or investment management of an account.

Sequence of Return Risk

The risk of receiving lower or negative returns due to early withdrawals from an investment account.

Settlement Risk

Also called *delivery risk*. The risk that one party will fail to deliver the terms of an investment contract with another party (contra-party) at the time of settlement. Settlement risk can be a risk associated with default, along with any timing differences in a settlement between the two parties.

Small- and Mid-Capitalization Company Risk

The small- and mid-capitalization companies in which an account may invest may be more vulnerable to adverse business or economic events than larger, more established companies. Investments in these small- and mid-sized companies may pose additional risks, including liquidity risk, because these companies tend to have limited product lines, markets, and financial resources, and may depend upon a relatively small management group. Small- and mid-cap stocks, therefore, may be more volatile than those of larger companies. These securities may be traded over the counter or listed “off-exchange.”

Sociopolitical Risk

The risk of instability in a region due to war, terrorism, pandemics, etc., that might affect investment markets.

Third-Party Investment Advisers

As noted in Item 4 of this brochure, we will review with the client a recommended third-party investment adviser’s Form ADV Part 2A firm brochure and/or Appendix-1 wrap fee program brochure or any other associated pertinent disclosure/informational documents they provide to ensure the client is familiar with the investment strategy and types of investment vehicles they employ so that they align with the client’s investment objectives, as well as discuss the risks these may affect their account. Our firm does not control the daily business and compliance operations of third-party investment advisers that the firm may recommend or utilize to manage a client portfolio, and the firm may be unaware of the lack of internal controls necessary to prevent business, regulatory, or reputation deficiencies.

Item 9 - Disciplinary Information

Neither the firm nor its management has been involved in any material criminal or civil action in a domestic, foreign, or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding that would reflect poorly upon our offering advisory business or its integrity.

Item 10 - Other Financial Industry Activities and Affiliations

Our advisory firm and its management are not registered nor have an application pending to register as a Financial Industry Regulatory Authority (FINRA) or National Futures Association (NFA) member firm or associated person of such a firm. We are not required to be registered with such entities, nor do they supervise our firm, its activities, or our associates. Neither our firm nor its management is or has a material relationship with any of the following types of entities:

- accounting firm or accountant
- another financial planning firm
- bank, credit union or thrift institution, or their separately identifiable department or division
- insurance company or insurance agency
- lawyer or law firm
- pension consultant
- real estate broker, dealer, or adviser
- sponsor or syndicator of limited partnerships
- trust company, or
- issuer of a security, to include investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)

Alan Anderson is a licensed insurance agent to be able to provide risk management and insurance advice to our clients. He is not compensated via commissions or referral fees from an insurance company or insurance agency if the client chooses to purchase an insurance policy following his financial planning advice. In addition, at no time will there be *tying* between business practices and/or services; a condition where a client or prospective client would be required to accept one product or service which is conditional upon the selection of a second, distinctive tied product or service.

The third-party investment adviser that we may recommend to you are required to be registered with the SEC or state securities commissioner as an investment adviser. As referenced in Item 5 of this brochure, each firm is compensated for their respective services by the client through a portion of the advisory fee that is assessed. We have an incentive to recommend one third-party investment adviser over another if less favorable compensation or services arrangements were to be offered to us by another portfolio manager. In light of this conflict of interest, we will review our recommendations and "mix of business" based on our clients' needs, goals and objectives with respect to all of our portfolio management offerings. There is also the potential for clients' fees assessed via these engagements to be higher than had a client obtained them directly from the third-party investment adviser or if the client were able to purchase similar underlying investments on their own. Clients are encouraged to review all our service offerings and their stated fees prior to the engagement, and each client has the right reject our services, or purchase recommended or similar investments through their own provider. It should be noted that certain third-party investment adviser and/or underlying investments may not be available to self-directed investors or at the same cost.

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

We hold ourselves to a *fiduciary standard*, which means our firm and its associates will act in the utmost good faith and perform in a manner believed to be in the best interest of our clients. As investment advisers we are required to put you – *our client* – first.

Code of Ethics

We have adopted a Code of Ethics that establishes policies of ethical conduct for all our personnel. Our firm accepts the obligation not only to comply with all applicable laws and regulations but also to act in an ethical and professionally responsible manner in all professional services and activities. Our policies include prohibitions against insider trading, circulation of industry rumor, among others.

CFP® Principles

Firm associates that are CERTIFIED FINANCIAL PLANNER™ Practitioners also adhere to the Certified Financial Planner Board of Standards, Inc.'s Code of Ethics & Professional Responsibility which you may find at www.cfp.net.

Privacy Policy

At Yavapai Financial Planning, LLC, we respect the privacy of all clients and prospective clients both past and present (collectively termed "customers" per federal guidelines). It is recognized that clients have entrusted our firm with non-public personal information, and it is important that both access persons and customers are aware of firm policy concerning what may be done with that information. We collect personal information about our clients from the following sources:

- information our clients provide to us to complete their financial planning or investment recommendation
- information our clients provide to us in agreements or other documents

- information our clients provide to us orally, and
- information we may receive from service providers, such as a client's custodian, about client transactions.

We may disclose non-public personal information about a client to unaffiliated third parties in certain circumstances. For example, in order for us to provide financial planning services, we may disclose or receive personal information in limited circumstances to various service providers, such as a client's accountant. Otherwise, we do not share non-public personal information about our clients to anyone, except in the following circumstances:

- when required to provide services our clients have requested
- when our clients have specifically authorized us to do so in writing
- when required during a firm assessment (i.e., independent audit), and
- when permitted or required by law (i.e., periodic regulatory examination).

If it is necessary to share client non-public personal information with an unaffiliated third party, we will inform affected clients and ask permission granted via a signed statement. Unless this "opt-in" statement is signed, we will not share client non-public information with an unaffiliated third party.

To ensure security and confidentiality, we maintain physical, electronic, and procedural safeguards to protect the privacy of client information. Within our firm, we restrict access to client information to staff that need to know that information. All personnel and our service providers understand that everything handled in our office is confidential and they are instructed to not discuss client information or situation with someone else unless they are specifically authorized in writing by the client to do so. This includes, for example, providing information to a family member.

Participation or Interest in Client Transactions

Neither our firm, associates or any related person is authorized to recommend to a client, or effect a transaction for a client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, adviser to the issuer, etc.

Our employees are prohibited from borrowing from or lending to a client unless the client is an approved financial institution (such as a bank, broker/dealer, etc.).

We recognize that should we act as the adviser to the sponsor of an ERISA-qualified retirement plan (i.e., 401(k) or pension plan) and one of our associates serves in an advisory capacity to one or more of the plan's participants, a potential or implied conflict of interest may occur. We may require our associate to cease in this plan participant advisory capacity or, upon disclosure to and approval from the plan sponsor, allow the dual advisory role to continue with consideration being made to offset fees where appropriate.

Our firm provides a broad range of services to you and all of our clients, including financial planning, investment consultations, and asset management services, all of which where we may be paid a fee. Due to our firm and/or associates' ability to offer one or more of these services to you and possibly receive a fee for each type of engagement, a potential conflict of interest may exist. You are under no obligation to act upon our recommendations and, if you elect to do so, you are under no obligation to complete all of them through our firm.

Firm and Personal Trading

Our firm does trade for its own account. Associates and their immediate family members (i.e., related persons) may buy or sell securities similar to, or different from, those we recommend to clients for their accounts. A recommendation made to one client may be different in nature or in timing from a recommendation made to a different client. At no time, however, will a related person receive preferential treatment over our clients.

In an effort to reduce or eliminate certain conflicts of interest involving personal trading, our policy may require that we restrict or prohibit associates' transactions in specific securities transactions. Any exceptions or trading pre-clearance must be approved by a principal of our firm in advance of the transaction in an account, and we will maintain the required personal securities transaction records per current regulation.

Item 12 - Brokerage Practices

Factors Used to Select Broker-Dealers for Client Transactions

Our clients' accounts must be separately maintained by a qualified custodian (generally a broker/dealer, futures commission merchant, national bank, or trust company) that is frequently reviewed for its capabilities to serve in that capacity by their respective industry regulatory authority.

Yavapai Financial Planning, LLC is not a custodian or broker/dealer, there is not an affiliate that is a custodian or broker/dealer, nor does a custodian or broker/dealer supervise our firm, its activities, or our associates. We do not receive referrals from a custodian or broker/dealer, nor would client referrals be a factor in our recommendation of a custodian or broker/dealer.

When engaged to provide an investment consultation component of our financial planning service, we may recommend the service provider where client assets are currently maintained. Should a client prefer a new service provider, a recommendation made by the firm would be based on client need, overall cost, and ease of use.

Accounts served by a third-party investment manager are to be maintained at one or more custodians that have been selected by the respective third-party investment manager and they will be disclosed in the third-party investment manager's disclosure documents and account opening forms.

When we are engaged to provide our own portfolio management services, we may recommend or prefer to engage TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC.[5] Our firm is independently owned and operated; we are not legally affiliated with TD Ameritrade Institutional. While we recommend TD Ameritrade Institutional as custodian of record, the client will decide whether to do so and will open their account in their name with the custodian by entering into an agreement directly with them. We do not technically open the account for a client, but we assist clients in doing so. If an asset management client does not wish to place their assets with TD Ameritrade Institutional as the custodian of record, we may be able to serve as investment adviser with another custodian of the client's choice if the other custodian's policies allow us to do so.

TD Ameritrade Institutional offers independent investment advisers like our firm various services which include custody of client assets, trade execution, clearance, and settlement, etc. Our firm may receive certain benefits from TD Ameritrade Institutional through participation in its independent advisor support program (please refer to Item 14 for further details); however, there is no direct link between our firm's participation in their

[5] Our advisory firm is not, nor required to be, a Securities Investor Protection Corporation (SIPC) member. You may learn more about SIPC and how it serves member firms and the investing public by going to their website at http://www.sipc.org.

program and the investment advice we may provide to our clients. Our firm conducts periodic assessments of any recommended service provider (including TD Ameritrade Institutional), which generally involves a review of the range and quality of services, reasonableness of fees, among other items, in comparison to industry peers.

Best Execution

Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed in the earlier paragraph and in Item 14. We recognize our obligation in seeking best execution for our clients, however, it is our belief that the determinative factor is not always the lowest possible cost but whether the selected service provider's transactions represent the best "qualitative" execution while taking into consideration the full range of services provided. Therefore, we will seek services involving competitive rates, but it may not necessarily correlate into the lowest possible rate for each transaction. We have determined that having TD Ameritrade execute our firm's trades is consistent with our duty to seek best execution of your trades. We also periodically review policies regarding our recommending service providers to our clients in light of our duty to seek best execution.

Directed Brokerage

We do not require or engage in directed brokerage involving our asset management accounts. As our client, you may direct our firm to use another particular broker/dealer to execute some or all transactions for your account. In these circumstances, you will be responsible for negotiating, in advance, the terms and/or arrangements for your account with your selected broker/dealer. We will not be obligated to seek better execution services or prices from these other broker/dealers, or be able to aggregate your transactions, should we choose to do so, for execution through other custodians with orders for other accounts managed by our firm. As a result, you may pay higher commissions or other transaction costs, experience greater spreads, or receive less favorable net prices, on transactions for your account than would otherwise be the case. Further, pursuant to our obligation of best execution, we may decline a request to direct brokerage if we believe any directed brokerage arrangement would result in additional operational difficulties or risk to our firm.

Aggregating Securities Transactions

Trade aggregation involves the purchase or sale of the same security for several clients/accounts at approximately the same time, and may also be termed "blocked, "bunched" or "batched" orders. Aggregated orders are typically completed to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among multiple client accounts should there be differences in prices, brokerage commissions or other transactional costs that might otherwise be unobtainable through separately placed orders. Due to the type of account authority our firm has involving its investment services to clients' portfolios (see Item 16), transactions will be independently executed. Subsequently, an account may potentially be assessed higher costs or less favorable prices than those an account that is aggregated. We review our trading procedures on a periodic basis to ensure they remain within stated policies and regulation. We will inform you, in advance, should our trading practices change at any point in the future.

Trade Errors

The firm corrects all trade errors through a Trade Error Account maintained by the firm's custodian and the firm will be responsible for any losses in accounts. Should the correction of a trade error result in a gain rather than a loss, it is TD Ameritrade policy that such gains be swept out daily to a designated account and donated to a 501(c)(3) charity of TD Ameritrade Institutional's choice. TD Ameritrade Institutional will be obligated to disclose in their own literature to account holders whether such recipients' receipt of such donations presents a material conflict of interest.

Item 13 - Review of Accounts

Financial Planning and Investment Consultation Services

Periodic financial check-ups or reviews are recommended if you are receiving financial planning and investment consultation services from our firm, and it would necessary for you to initiate these reviews.

Reviews will be conducted by an assigned financial planner and normally involve analysis and possible revision of a previous financial plan or investment allocation. Portfolio "snapshot" reports may be provided when our firm is engaged to provide asset allocation or investment advice as part of its Investment Consultation Services, however, we will not provide ongoing performance reporting.

Third-Party Investment Advisers

If your account is served by a recommended third-party investment adviser, our firm will periodically review reports provided to you by the third-party adviser, contact you at least annually to review your financial situation and objectives, communicate information to the third-party investment adviser as warranted, and assist you in understanding and evaluating the services provided by the third-party investment adviser. It is important that you notify our firm of any changes in your financial situation, investment objectives, or account restrictions. You are also typically able to contact the third-party investment adviser managing your account.

Asset Management Services

Accounts managed by our firm are periodically reviewed throughout the year by the assigned investment adviser representative, supervisory personnel (such as our firm principal), or a qualified independent entity engaged by our firm.

Additional reviews may be triggered by news or research related to a specific holding, a change in our view of the investment merits of a holding, or news related to the macroeconomic climate affecting a sector or holding within that sector. Accounts may also be reviewed when being considered for an additional holding or an increase in a current position. Account cash levels above or below that deemed appropriate for the investment environment, given your stated tolerance for risk and investment objectives, may also trigger a review.

Our firm produces its own quarterly performance reports which are calculated using primarily a time-weighted methodology. These reports are provided in printed and digital format and are reviewed for accuracy by Mr. Anderson prior to their delivery. Our reports are intended to inform clients about investment performance over the current period, as well as over the longer term since the account's inception; both on an absolute basis and as compared to a known benchmark. Clients are urged to carefully review and compare account statements that they have received directly from their custodian of record with any report they may receive from our firm or any other source that contains account performance information.

Item 14 - Client Referrals and Other Compensation

As disclosed in Item 12, our firm may receive economic benefit (aka "soft dollars") from TD Ameritrade Institutional in the form of various products and services they make available to the firm and other independent investment advisers that may not be made available to a "retail investor." There is no direct link between our firm's participation in their program and the investment advice we may provide to our clients. These benefits may include the following products and services (provided either without cost or at a discount):

- receipt of duplicate client statements and confirmations
- research related products and tools
- access to trading desks serving our clients

- access to block trading services
- the ability to have advisory fees deducted directly from a client's accounts (per written agreement)
- resource information related to capital markets and various investments
- access to electronic communications networks for client order entry and account information
- access to mutual funds with no transaction fees and/or select investment managers, and
- discounts on marketing, research, technology, and practice management products or services provided to our firm by third-party providers.

Some of the noted products and services made available by TD Ameritrade Institutional may benefit our advisory firm but may not directly benefit a client account. While our firm does not think these services are considered "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934, certain jurisdictions where we serve client accounts believe that these services fall under this definition. The availability of these services from TD Ameritrade Institutional benefits our firm because it does not have to produce or purchase them as long as firm clients maintain assets in accounts at TD Ameritrade Institutional. There is a conflict of interest since our firm has an incentive to select or recommend a custodian based on our firm's interest in receiving these benefits rather than your interest in receiving favorable trade execution. It is important to mention that the benefit received by our firm through participation in any custodian's program does not depend on the amount of brokerage transactions directed to that custodian, and our selection of a custodian is primarily supported by the scope, quality, and cost of services provided as a whole -- not just those services that benefit only our advisory firm. Further, we will act in the best interest of our clients regardless of the custodian we may select.

Per Items 4 and 5 of this brochure, for our initial and continuing consultation we receive a portion of the asset-based fee that is paid by a client to a third-party investment adviser. Please refer to Items 5, 10 and 12 for additional information with respect to our offerings and the potential conflict of interest they may present.

We do not engage in solicitation activities involving unregistered persons. If we receive or offer an introduction to a client, we do not pay or earn a referral fee, nor are there established *quid pro quo* arrangements. Each client has the right to accept or deny such referral or subsequent services.

Item 15 - Custody

Your funds and securities will be maintained by an unaffiliated, qualified custodian, such as a bank, broker/dealer, mutual fund companies, or transfer agent. Your assets are not held by our firm or any of our associates. In keeping with our policy of not having physical custody of our client funds or securities, we:

- restrict our firm and associates from serving as trustee or having general power of attorney over a client account
- are prohibited from having authority to withdraw securities or cash assets from a client account. Advisory fees will only be withdrawn from a client investment account through a qualified custodian maintaining your account assets, per your prior written approval (termed "constructive custody")
- do not accept or forward client securities (i.e., stock certificates) erroneously delivered to our firm
- will not collect advance fees of $500 or more for services that are to be performed six months or more into the future
- prohibit an associate to have knowledge of a client's account access information (i.e., online 401(k), brokerage or bank accounts) when such access might result in physical control over client assets, and
- does not allow standing letters of authority (SLOAs) unless the:

- ✓client provides written instruction to their qualified custodian that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed
- ✓client authorizes the firm in writing on their qualified custodian's form any power to direct transfers to the third party either on a specified schedule or from time to time
- ✓client's qualified custodian performs appropriate verification of the client's instructions, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer
- ✓client has the ability to terminate or change the instruction to the client's qualified custodian
- ✓firm has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction
- ✓third party is not a related party to our firm and is located at a different address as the firm
- ✓client's qualified custodian sends the client a written initial notice confirming the instruction, and
- ✓client is annually provided notice reconfirming their instructions.

You will be provided with transaction confirmations and summary account statements provided directly to you by your selected service provider (e.g., account custodian). Typically, these statements are provided on a monthly or quarterly basis (depending on the type of account), or as transactions occur. We will not create a statement for you nor be the sole recipient of account statements.

We remind all our clients that if they receive a report from any source that contains investment performance information, they are urged to carefully review and compare their account statements that they received from their custodian of record to evaluate that report's accuracy.

Item 16 - Investment Discretion

Generally, third-party investment advisers assume discretionary authority over the accounts they supervise. Via limited power of attorney signed by the client, discretionary authority allows their firm to determine the securities to be bought or sold for a client's account and the amount of securities to be bought or sold for a client's account without requiring the client's prior authorization for each transaction in order to meet stated investment objectives. This authority will be granted through the execution of both the engagement agreement and the custodian's account documents. If you are participating in the third-party investment adviser program, you should thoroughly review the selected third-party investment adviser's Form ADV Part 2A to determine its investment discretion authority and policies. Neither our firm nor an associate will manage or obtain discretionary authority over accounts participating in these programs.

We provide our asset management services to clients through a non-discretionary account agreement, requiring your ongoing prior approval involving the securities to be bought or sold for your investment account and the amount of securities to be bought or sold for your investment account, including portfolio rebalancing. By definition, and absent your written instruction to the contrary, non-discretionary transactions do not involve a trade's execution price or time. Non-discretionary engagement clients are required to execute our firm's client services agreement that describes our limited account authority, as well as the custodian of record's account document that includes their limited power of attorney form or clause. It is important to note that due to your requirement for trading pre-approval, you must be continually available and keep our firm updated on your contact information so that instructions can be efficiently and timely effected on your behalf. Non-discretionary accounts are generally unable to be aggregated (see Item 12) and may therefore be assessed higher trading fees or receive less favorable prices than those accounts where trade aggregation has occurred.

We require all account restrictions, limitations, and rescissions will be made in writing by our clients and approved in writing by the firm principal.

Item 17 - Voting Client Securities

You may receive proxies or other similar solicitations sent directly from your selected custodian or transfer agent. Should our firm receive a duplicate copy, note that we do not generally forward these or any correspondence relating to the voting of your securities, class action litigation, or other corporate actions.

Our firm does not vote proxies on your behalf, nor do we offer guidance on how to vote proxies. You will maintain exclusive responsibility for directing the how proxies solicited by issuers of securities that are beneficially owned by you shall be voted, as well as making all other elections relative to mergers, acquisitions, tender offers, or other events pertaining to your holdings. Clients engaging third-party investment managers should review the third-party manager's advisory brochure to determine the proxy voting policy of those firms.

We will have no power, authority, responsibility, or obligation to take any action regarding a 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.

Item 18 - Financial Information

Our advisory firm will not take physical custody of client assets, nor do we have the type of account authority to have such control. Fee withdrawals must be done through a qualified intermediary (e.g., account custodian of record), per the client's prior written agreement, and following the client's receipt of our invoice.

Engagements with our firm do not require that we collect fees from a client of $500 or more for our advisory services that we have agreed to perform six months or more into the future.

Neither our firm nor its management serve as general partner for a partnership or trustee for a trust in which the firm's advisory clients are either partners of the partnership or beneficiaries of the trust.

Our firm and its management do not have a financial condition likely to impair our ability to meet commitments to clients, nor has the firm and our management been the subject of a bankruptcy petition or other material reportable financial event.

Due to the nature of our firm's advisory services and operational practices, an audited balance sheet for the firm is not required nor included in this brochure.

Item 19 - Requirements for State-Registered Advisers

Principal Executives and Management Persons - Alan A. Anderson. Please see Item 4 of this brochure and the cover page (Item 1) of Mr. Anderson's accompanying Form ADV Part 2B brochure supplement.

Other Business Activities – Mr. Anderson maintains an Arizona insurance license for the purpose of risk management consultation, but he is not engaged as an insurance agent and does not receive a commission for his services. Please refer to Item 10 of this Firm Brochure and Item 4 of the accompanying Form ADV Part 2B brochure supplement for Mr. Anderson.

Performance-Based Fees - Neither the firm nor its management is compensated based on performance-based fees. It is perceived that performance-based compensation may create an incentive for an adviser to recommend an investment that may carry a higher degree of risk to a client; an activity contrary to the firm's business practices.

Material Disclosure Matters involving Firm Management - Please refer to Item 9 of this firm brochure and Items 3 and 7 of the accompanying Form ADV Part 2B supplement that immediately follows this brochure. The firm's management has not been the subject of an award or otherwise been 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.

Firm management has not been the subject of an award or otherwise been 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.

Material Relationship with an Issuer of a Security - Please refer Item 10 of this firm brochure and Item 4 of the accompanying Form ADV Part 2B brochure supplement. Firm management does not have a material relationship with the issuer of a security.