# Stephenson and Company, Inc.

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**October 19, 2020**

**FORM ADV PART 2A**
**BROCHURE**

This brochure provides information about the qualifications and business practices of Stephenson and Company, Inc. If you have any questions about the contents of this brochure, contact us at 949-727-4255 or by email at: brad@stephensonfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Stephenson and Company, Inc. (CRD/IARD # 111453) is available on the SEC's website at www.adviserinfo.sec.gov.

Stephenson and Company, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment, dated March 14, 2019, we have made the following material changes to our Form ADV:

- We have transitioned from state registration to Federal registration. As a result, the ADV Brochure has been amended to reflect Securities and Exchange Commission disclosures requirements and all state of California required disclosures and certain California state requirements have been removed the Brochure.

- We no longer offer the *Selection of Other Advisers* or *Ongoing Financial Planning* services. Therefore, all disclosures related to these offerings have been removed from this Brochure. Additionally, we no longer have an agreement with an outside solicitor. Therefore, the *Client Referrals and Other Compensations* section has been updated to reflect this change in our business practice.

- We enhanced the description related to certain advisory services. Please refer to the *Advisory Business* section for additional details related to Comprehensive Financial Planning and Investment Management and Consulting Services.

- We increased the Retirement Plan Consulting Services fee from a fee of 0.08% of assets under advisement to a fee ranging between 0.15% - 0.75% of assets under advisement.

- We enhanced the *Methods of Analysis, Investment Strategies and Risk of Loss* section to removed Technical and Cyclical Analysis. We primarily utilize Fundamental Analysis and Economic Analysis.

- We added the following disclosure to the *Brokerage Practices* section: "Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. When we purchase, or recommend the purchase of, mutual funds for a client, we select the share class that is deemed to be in the client's best interest, taking into consideration cost, tax implications, and other factors. When the fund is available for purchase at net asset value, we will purchase, or recommend the purchase of, the fund at net asset value. We also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent deferred sales charges."

- Lastly, the *Review of Accounts* section has been amended as follows: "Bradley Stephenson, President and Chief Compliance Officer, and his staff monitor your accounts on an ongoing basis and will conduct account reviews at least annually."

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## Item 4 Advisory Business

**Firm Description**
Stephenson and Company, Inc. hereinafter ("the Adviser") is a registered investment adviser based in San Clemente, California. We are organized as a corporation under the laws of the State of California. We were founded and have been providing investment advisory services since 1991. We are primarily owned by the Bradley and Teresa Ann Stephenson Trust DTD 7/27/1998.

The Adviser is a fee-only investment management and financial planning firm. The firm does not sell securities on a commission basis.

**Types of Advisory Services**
The Adviser provides investment advisory services, also known as asset management services and furnishes investment advice through consultations, which may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, education funding, retirement planning, and estate planning. The Adviser furnishes advice to clients on matters not involving securities. The Adviser provides several types of advisory services including comprehensive financial planning, custom-designed modular financial planning, fee-only financial planning, investment management and retirement plan consulting.

We offer discretionary and non-discretionary asset management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and an account application, which includes the appropriate trading authorization. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing.

If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

**Comprehensive Financial Planning**
This service includes the gathering of complete financial information regarding the client's current and historical status in the areas of net worth, income, expenses, taxes, investments, retirement plans, life insurance, health and medical insurance, business arrangements and divorce agreements, as well as future goals and objectives.

A personalized plan is then developed which may include specific recommendations in all applicable areas. The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; projections of future net worth and cash flow; discussion of probability of success in meeting financial goals and objectives, a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

**Custom Designed Modular Financial Planning**
This service consists of performing the financial planning services described above, but is limited to only those areas of the client's financial situation specified by the client. The scope of the areas to be included and the extent and nature of the service to be provided will be determined and agreed upon by the client and the planner in advance.

**Hourly Consultations**
The services of Stephenson and Company, Inc. may be arranged for consultation regarding a specific, specialized look at a particular aspect of the client's financial situation, without engaging in any of the planning arrangements listed above.

**Investment Management and Consulting Services**
The Adviser provides a variety of investment management, consulting and monitoring services in addition to the financial planning services listed above.

Investment advisory services include assisting the client with the formulation of an investment policy, assessment of risk tolerance and selection of an asset allocation that is appropriate given the client's financial goals and objectives and risk tolerance.

As part of the investment advisory service, all aspects of the client's financial affairs are reviewed and realistic, measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis. The Adviser periodically reviews a client's financial situation and portfolio through regular contact with the client which often includes an annual meeting with the client.

The scope of work and fee for an Investment Advisory Agreement is provided to the client in writing prior to the start of the relationship. The agreement sets forth the services to be provided, the fees for the service and the agreement may be terminated by either party in writing at any time.

Adviser may invest your assets according to one or more model portfolios developed by an unaffiliated investment manager on a discretionary or non-discretionary basis as described below. These models are designed for investors with varying degrees of risk tolerance ranging from a more aggressive investment strategy to a more conservative investment approach. Clients whose assets are invested in model portfolios may not set restrictions on the specific holdings or allocations within the model, nor the types of securities that can be purchased in the model. Nonetheless, clients may impose restrictions on investing in certain securities or types of securities in their account. In such cases, this may prevent a client from investing in certain models that are managed by our firm.

Advisor also provides investment management services in which investment portfolios are actively managed and monitored. For this type of service, Advisor may assist client in establishing a custodial clearing account with TD Ameritrade Institutional ("TDA"). The assets included in this service may include no-load mutual funds, exchange-traded funds ("ETFs") and individual stocks. Each portfolio will be constructed to suit the client's needs and risk tolerances, as best as those can be determined by the Advisor. Each portfolio will be diversified using a variety of investment vehicles of differing assets classes and management styles.

TDA accounts invested in our model portfolios are rebalanced when funds are added or distributed from the account, or when advisor thinks a rebalancing of the account is warranted due to other factors such as market fluctuation.

The Advisor may assist the client in establishing a custodial clearing account with SEI Investments or affiliates of SEI. Based upon the client's current financial situation, risk tolerance, time horizon and asset class preference, the Advisor and client may select from one of many mutual fund asset allocation model portfolios developed by SEI and comprised of SEI's no-load mutual funds as described below.

Advisor also provides investment management services for SEI accounts in which a separate investment portfolio is actively managed and monitored within the client's existing SEI account. A separate Advisor-Guided portfolio is established within the client's existing SEI account, which may include no-load mutual funds, exchange-traded funds ("ETFs") and individual stocks. Each Advisor-Guided portfolio will be constructed to suit the client's needs and risk tolerances, as best as those can be determined by the Advisor. Each Advisor-Guided portfolio will be diversified using a variety of investment vehicles of differing assets classes and management styles.

The Advisor-Guided portfolio within an SEI account may be rebalanced when funds are added or distributed from the account, or when advisor thinks a rebalancing of the account is warranted due to other factors such as market fluctuation.

The SEI Mutual Fund Models part of the account is managed as outlined below under *Mutual Fund Models Program.*

*Mutual Fund Models Program:* Under this program, we act as the sole adviser to your account. SEI makes available to us a selection of asset allocation models, the underlying investments of which are generally comprised entirely of mutual funds that are managed by SEI (the "Mutual Fund Allocation Models"). The Mutual Fund Allocation Models are designed (and periodically updated) by SEI to meet with a stated investment objective or goal (i.e., defensive, short-term, moderate, market growth, core, aggressive, etc.) and are not designed to meet any particular investor's specific investment needs or circumstances. When you participate in this program, we select an initial Mutual Fund Allocation Model (or Models) in which to invest your assets based upon our evaluation of your particular investment needs and circumstances. SEI will advise us of any changes to the selected Mutual Fund Allocation Model(s) used in your account. We will contact you prior to reallocating your assets to different Mutual Fund Allocation Models, in accordance with the terms of our written non-discretionary advisory agreement with you.

**Investment Consulting for Retirement Plan Participants**
Stephenson and Company, Inc. provides investment advisory services for individual plan participants in 401(k) and deferred compensation plans. Advisory services include: Review and evaluation of investment objectives; selection of an asset allocation model which is appropriate for the client; review of all investment options offered by the plan; recommendation and selection of plan investment options; monitoring of investments selected and any new investment options added; and notification to client when changes or repositioning are appropriate.

**Retirement Plan Consulting Services**
We offer retirement plan consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include an existing plan review and analysis, plan-level advice regarding fund selection and investment options, education services to plan participants, investment performance monitoring, and/or ongoing consulting. These retirement plan consulting services will generally be non-discretionary and advisory in nature. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary.

We may also assist with participant enrollment meetings and provide investment-related educational seminars to plan participants on such topics as:

- Diversification
- Asset allocation
- Risk tolerance
- Time horizon

Our educational seminars may include other investment-related topics specific to the particular plan.

We may also provide additional types of retirement plan consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents.

Either party to the retirement plan advisory agreement may terminate the agreement upon written notice to the other party in accordance with the terms of the agreement for services. The retirement plan advisory fees will be prorated for the quarter in which the termination notice is given and any unearned fees will be refunded to the client.

**Imposed Restrictions**
Clients may request restrictions on an investment account, such as when a client needs to keep a minimum level of cash in the account or does not want to invest in certain securities or types of securities in the account. The Adviser reserves the right to not accept and/or terminate management of a client's account if Adviser feels that the client-imposed restrictions would limit or prevent Adviser from meeting or maintaining the client's investment strategy.

**Wrap Fee Programs**
We are not a wrap fee sponsor nor a portfolio manager to a wrap fee program. However, we may recommend that you invest in a wrap fee program sponsored by a third-party sponsor and is managed by a third-party portfolio manager. Wrap fee accounts are typically more appropriate for active accounts and are managed accordingly. If you participate in a wrap fee program, you will be provided with a separate Wrap Fee Program Brochure explaining the program and costs associated with the program. You should also review this Part 2A thoroughly to evaluate any differences between the services we offer as non-wrap versus a wrap fee program.

**Types of Investments**
We offer advice on equity securities, mutual fund shares, exchange traded funds, corporate debt securities, commercial paper, certificates of deposit, municipal securities, United States government securities, money market funds. When offering advice on equity securities, our recommendations for purchasing stocks has been primarily limited to one specific stock in recent years (Berkshire Hathaway B shares). Otherwise, with respect to offering advice on equity securities, we generally advise clients on the timing of possible liquidations of existing positions in individual stocks that were previously chosen or held by clients, as opposed to purchasing more of these securities or purchasing other equity securities. Initial public offerings (IPOs) are not available through the Adviser.

Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

**Assets Under Management**
As of December 31, 2019, we provide continuous management services for $80,326,938 in client assets on a discretionary basis, and $65,122,908 in client assets on a non-discretionary basis. The Adviser also oversees on a non-continuous basis approximately $135,953,991 in client assets, some of which are managed by third-party investment managers.

## Item 5 Fees and Compensation

The Adviser bases its fees on a percentage of assets under management, hourly charges or fixed fees.

The initial meeting is free of charge and is considered an exploratory interview to determine the extent to which financial planning and/or investment management may be beneficial to the client.

**Comprehensive Financial Planning**
The fee for these services will be determined by the planner and agreed upon by the client in advance. The amount of the fee will be determined by the complexity of the client's needs, subject to a minimum of $2,000. On occasion, the stated fee may be negotiated lower.

The agreed-upon fee will be paid one-half at the time of the first appointment, with the balance due at the time of the plan presentation to the client. We will not require prepayment of a fee more than six months in advance and in excess of $1,200. At our discretion, we may offset our financial planning fees to the extent you implement the financial plan through our Investment Management Service.

The client may cancel the services within the first five days for a complete refund of all fees paid. With a new or existing client whose financial situation has changed so dramatically that a new plan must be done, the initial gathering of information, development of the plan, presentation and explanation of the plan to the client and study and decision making by the client cover a period not to exceed six months.

**Custom Designed Modular Financial Planning**
The fee for these services will be determined by the planner and agreed upon by the client in advance. The amount of the fee will be determined by the complexity of the client's needs, subject to a minimum of $1,000. On occasion, the stated fee may be negotiated lower. The agreed upon fee will be paid one-half at the time of the first appointment with the balance due at the time of the plan presentation. At our discretion, we may offset our financial planning fees to the extent you implement the financial plan through our Investment Management Service. We will not require prepayment of a fee more than six months in advance and in excess of $1,200. The client may cancel the service within the first five days for a complete refund of all fees paid.

**Hourly Consultations**
This arrangement will be billed on an hourly basis at a rate of $250 - $300 per hour, which is negotiable depending on the scope and complexity of the plan, your situation, and your financial objectives. Payment is due on completion of the consultation.

**Investment Management and Consulting**
Investment accounts established with TD Ameritrade Institutional ("TDA") may contain stocks, no-load mutual funds and exchange-traded funds ("ETFs"). TDA may charge transaction fees on purchases or sales of certain stocks, bonds, mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security.

*Mutual Fund Models Program:* The SEI Program Fee associated with participation in the Mutual Fund Models Program generally consists of only a custodial services fee. However, where you implement any recommendation to purchase non-SEI managed mutual funds or other securities for your account (or otherwise direct us to purchase securities or mutual funds for your account that are outside of SEI's Mutual Fund Models Program), additional fees, ticket charges and commissions may apply. Generally, SEI's custodial fee applies only where the balance in your account falls below a minimum required balance as may be set forth in SEI's custodial agreement with the client. Clients should be aware that for assets invested in SEI managed mutual funds through this program, the client as a shareholder of such SEI mutual funds, will pay management fees and other fund level expenses to SEI and its affiliates. We do not receive any portion of these fund level fees. Please see SEI's Firm Brochure and/or account agreements for a complete description of the SEI Program Fee associated with participation in this program.

The Adviser's current investment management consulting fee schedule is as follows. On occasion, the stated fees may be negotiated lower. Additionally, some legacy clients may have an established fee schedule that differs from the below stated fees.

| **Annual and Quarterly Investment Management Fees for aggregate value of accounts up to $1,000,000** | | |
|---|---|---|
| Value of assets under management | Annual Fee | Quarterly Fee |
| $0 - $999,999 | 1.0% | 0.25% |

| **Annual and Quarterly Investment Management Fees for aggregate value of accounts in excess of $1,000,000** | | |
|---|---|---|
| Value of assets under management | Annual Fee | Quarterly Fee |
| First $2 million | 0.75% | 0.1875% |
| Next $3 million | 0.50% | 0.125% |
| Next $5 million | 0.40% | 0.10% |
| Above $10 million | 0.30% | 0.075% |

Our annual portfolio management fee is billed and payable, quarterly in arrears, based on the balance at end of billing period.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances such as complexity, scope, level of administration, and legacy or familial relationships.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts disbursed from your account including the amount of the advisory fee paid directly to our firm.

If you have any questions about the statement(s) you receive from the qualified custodian call our main office number located on the cover page of this brochure.

**Investment Consulting for Retirement Plan Participants**
The fee schedule ranges from 0.35% to 0.50% of assets under management. The fee charged varies with the complexity of the investments offered to the plan participant and contains breakpoints for reduced fees for assets in excess of $500,000 and $1,000,000. On occasion, the stated fees may be negotiated lower. Breakpoints will apply for each client and if Stephenson and Company, Inc. advises more than one plan participant in the same company's plan, advisory accounts will be combined for calculation of fee breakpoints. A one-time set up fee of $250 may be charged and annual fees are subject to a $1,000 minimum.

Quarterly invoices will be prepared and sent to client by the Adviser at the end of each quarter. Fees are due upon receipt of the quarterly invoice. This service may be terminated at any time upon receipt of written notice from the client. A refund of fees will be made on a prorated basis of the unused portion of the billing quarter.

**Retirement Plan Consulting Services**
Our advisory fees for these customized services currently range between 0.15% - 0.75% of assets under advisement. The retirement plan consulting fee is billed quarterly in arrears and based on the plan value at end of billing period. The advisory fees are deducted from the plan assets.

You may terminate the retirement plan consulting services agreement upon written notice to our firm.

**Termination of Agreements**
A Client may terminate any of the aforementioned agreements at any time by notifying the Adviser in writing. Clients shall be charged pro rata for services provided through the date of termination. If the client made an advance payment, the Adviser will refund any unearned portion of the advance payment.

The Adviser may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, the Adviser will refund any unearned portion of the advance payment.

The Adviser reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the Adviser's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded.

**Additional Fees and Expenses**
As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange

traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee, also known as an expense ratio and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this brochure.

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

Fees are not based on a share of the capital gains or capital appreciation of managed securities. The Adviser does not use a performance-based fee structure.

## Item 7 Types of Clients

The Adviser provides investment advice to individuals, high net worth individuals, participants of retirement plans, pension and profit sharing plans, charitable organizations, corporations and other business entities.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your account if it falls below a minimum size which, in our sole opinion, is too small to manage effectively. Additionally, investment consulting for retirement plan participants will be subject to a one-time set up fee of $250 and an annual fee of $1,000. At our discretion we may waive the stated fee.

We charge a minimum fee, depending on the advisory planning or consulting service, which ranges between $1,000 - $2,000. At our discretion we may waive the minimum fee. Please see the *Fees and Compensation* section for additional details related to the services that are subject to a minimum fee.

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

**Methods of Analysis**
Security analysis methods may include fundamental analysis and economic analysis. The main sources of information include financial newspapers, magazines and websites, research materials prepared by others, corporate rating services, annual reports and prospectuses.

Fundamental analysis performed by the Adviser with respect to purchasing stocks, has been mostly limited to one specific stock in recent years (Berkshire Hathaway B shares). Berkshire Hathaway B shares are used in the model portfolios developed by the Advisor.

Otherwise, with respect to performing fundamental analysis on equity securities, we use fundamental analysis to help determine the timing of possible liquidations of (or whether it is advisable to continue to hold) existing positions in individual stocks previously chosen by clients. We are generally not performing fundamental analysis for the purposes of purchasing more of these securities or purchasing other equity securities (besides Berkshire Hathaway B shares).

**Investment Strategies**
The primary investment strategy used on client accounts is strategic asset allocation and each client's risk tolerance and personal investment parameters and objectives are considered in the process of formulating an appropriate investment strategy. The Adviser works with the client in identifying their investment objectives, time horizon, risk tolerance and tax considerations before developing an investment strategy.

Stocks, bonds, actively managed mutual funds, broad sector mutual funds and exchange-traded funds ("ETFs") may be used in the implementation of an investment strategy. Portfolios are generally globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

<u>Stocks</u>: There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

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

<u>Mutual Funds and Exchange Traded Funds</u>: Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, an ETF may not have investment exposure to all of the securities included in its underlying Index, or its weighting of investment exposure to such securities may vary from that of the underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the underlying Index, but which are expected to yield similar performance.

Long-Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Risk: Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

Short-Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Risk: Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

**Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio.

Investors face the following investment risks:

Stephenson and Company, Inc.'s Investment Activities: The Adviser's investment activities involve a degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Adviser. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability of the Adviser to realize gains. Additionally, specific investments recommended by the Adviser may require significant time to realize the expected return and may experience a pricing correction in a faster-than-expected time, subjecting an investor to reinvestment risk. As a result of the nature of the Adviser's investing activities, it is possible that its financial performance may fluctuate over time and from period to period.

Interest Rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. The price of most fixed income securities moves in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities falls.

Market Volatility Risk: The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market fluctuations.

Inflation Risk: When any degree of inflation exists, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.

Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that are traded through an exchange are generally more liquid. Securities traded over the counter or securities that do not have a ready market or are thinly traded, are less liquid and may face material discounts in price level in a liquidation situation.

Accuracy of Public Information: The Adviser selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Adviser by the issuers or through sources other than the issuers. Although the Adviser evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

Investments in Undervalued Securities: The Adviser may recommend an investment in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from these investments may not adequately compensate for the business and financial risks assumed. The Adviser may make recommend certain investments in securities which it believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. It is likely that a major economic recession could severely disrupt the market for such investments and severely impact their value. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities.

Small Company Risk: The Adviser may recommend an investment in small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations.

Fixed Income Call Option Risk: Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date.

Maturity Risk: In certain situations, the Adviser may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the Adviser will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

Risk of Default or Bankruptcy of Third Parties: The Adviser may engage in transactions in assets that involve counterparties. Under certain conditions, the Adviser could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid. In addition, the Adviser could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Adviser does business, or to which securities, commodities, other financial instruments and/or other assets have been entrusted for custodial purposes. For example, if the Adviser's prime broker and custodian were to become insolvent or file for bankruptcy, the Adviser could suffer significant losses with respect to any securities held by such firm.

Strategy Restrictions: Certain institutions may be restricted from utilizing investment strategies of the type in which the Adviser may recommend. Such institutions, including entities subject to ERISA, should consult their own advisors, counsel and accountants to determine what restrictions may apply and whether an investment recommended by the Adviser is appropriate.

Trading Limitations: For all securities, instruments and/or assets listed on an exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue. Also, such a suspension could render it impossible for the Adviser to liquidate positions and thereby expose the client to potential losses.

Tax Risk: The tax aspects of any investment are complicated and each investor should have a recommended investment reviewed by professional advisers familiar with the investor's personal tax situation and with the tax laws and regulations applicable to the investor.

Supervision of Trading Operations: The Adviser, with assistance from its brokerage firms, intends to supervise and monitor trading activity in client accounts to ensure compliance with firm and client objectives. Despite the Adviser's efforts however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in investment accounts.

## Item 9 Disciplinary Information

Registered Investment Advisers, such as Stephenson and Company, Inc. are required to disclose all material facts regarding any legal or disciplinary event that would be material to a client's or prospective client's evaluation of the Adviser or the integrity of its management. Neither the Adviser nor its employees have been involved in legal or disciplinary events related to past or present investment clients.

## Item 10 Other Financial Industry Activities and Affiliations

Stephenson and Company, Inc. does not offer any other financial services or have any affiliates in the financial industry. Stephenson and Company, Inc. does not have any affiliation with any related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

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

**Code of Ethics**
The Adviser has adopted a Code of Ethics which establishes standards of conduct for its supervised persons. The Code of Ethics includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to the Adviser's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Adviser's Compliance Officer. Each supervised person of the Adviser receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during that year. Clients and prospective clients may obtain a copy of the Adviser's Code of Ethics by contacting the Adviser.

**Participation or Interest in Client Transactions**
Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

**Personal Trading Practices**
Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## Item 12 Brokerage Practices

We recommend the brokerage and custodial services of TD Ameritrade, Inc. and SEI Private Trust Company, Inc. and ("SEI") (whether one or more "Custodian"). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In recognition of the value of the services the Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services.
- The likelihood that your trades will be executed.
- Availability of investment research and tools.
- Overall quality of services.
- Competitiveness of price.
- Reputation, financial strength, and stability.
- Existing relationship with our firm and our other clients.

**Research and Other Soft Dollar Benefits**
We do not have any soft dollar arrangements.

**Economic Benefits - Select Advisors (SEI)**
As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or brokerage firm. These products and services may include financial publications, information about particular companies and industries, research software, discounts on compliance, marketing, research, technology and practice management products or services provided by third party vendors and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

## TD Ameritrade Institutional

We participate in the institutional adviser program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program.

As disclosed above, we participate in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to you for custody and brokerage services. There is no direct link between our participation in the Program and the investment advice we give you, although we receive economic benefits through our participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to aggregated trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to your accounts); the ability to have advisory fees deducted directly from your accounts; access to an electronic communications network for order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit us but may not benefit your accounts. These products or services may assist us in managing and administering your accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to you, we endeavor at all times to put your interests first. You should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

**Brokerage for Client Referrals**
We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### Directed Brokerage
We routinely require that you direct our firm to execute transactions through TD Ameritrade and SEI. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

### Aggregated Trades
We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "aggregated trading"). Accordingly, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

### Mutual Fund Share Classes
Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. When we purchase, or recommend the purchase of, mutual funds for a client, we select the share class that is deemed to be in the client's best interest, taking into consideration cost, tax implications, and other factors. When the fund is available for purchase at net asset value, we will purchase, or recommend the purchase of, the fund at net asset value. We also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent deferred sales charges.

## Item 13 Review of Accounts

### Periodic Reviews
Bradley Stephenson, President and Chief Compliance Officer, and his staff monitor your accounts on an ongoing basis and will conduct account reviews at least annually. They consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client and the on-going suitability of the investment. Full updates for financial planning clients are done as contracted for by the client and may include an update of the value of all assets and liabilities, a review of financial goals and objectives and an evaluation of how the client is progressing towards meeting their financial goals and objectives.

### Review Triggers
Accounts may be reviewed more frequently when market or economic conditions dictate. Other conditions that may trigger a review are changes in tax laws, new investment information, changes in a client's financial or personal situation or at the client's request.

### Regular Reports
Clients receive periodic reports from account custodians on a monthly and/or quarterly basis, depending on the custodian. These written reports may include a list of all investments held in the account, current and prior period account valuations, amounts of contributions and withdrawals and performance stated in dollars and as a percent of the account value.

Adviser provides retirement plan investment consulting clients with quarterly reports which include quarter-end account values, quarterly and year-to-date performance of the account, and as deemed appropriate, a recommendation for rebalancing the account.

## Item 14 Client Referrals and Other Compensation

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

## Item 15 Custody

**Custody Policy**
The Adviser does not obtain or permit its employees to obtain custody of client assets including cash, securities, to act as trustee, to have password access to control account activity or any other form of controlling client assets. All checks and/or wire transfers to fund client accounts are required to be made out to/sent to the account custodian.

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and an account application, which includes the appropriate trading authorization.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## Item 17 Voting Client Securities

The Adviser does not vote proxies for securities held in client accounts. The client retains the authority and responsibility for the voting of proxies. Proxies are sent directly to the client from the custodian/firm soliciting the proxy vote. When assistance on voting proxies is requested, the Adviser may provide a recommendation to the client and/or provide proxy-related information to the client. If any conflict of interest exists, it will be disclosed to the client.

## Item 18 Financial Information

The Adviser does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. The Adviser meets all net capital requirements that it is subject to and the Adviser has not been the subject of a bankruptcy petition in the last 10 years.

The Adviser is not required to provide a financial statement, as it does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than $1,200 per client, and six months or more in advance.

## Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## Item 20 Additional Information

**Privacy Policy**
Below is a summary of the Adviser's Privacy Policy regarding client personal information. A complete version of the Privacy Policy may be obtained by contacting the Compliance Officer of the Adviser.

The Adviser collects non-public, personal information about its clients from the following sources:

Account applications and other forms completed by clients; written notations; documentation provided by our clients; from brokerage/custodial firms with respect to client accounts and from other third parties, such as accountants or attorneys. The non-public information that we collect depends upon the scope of the client engagement and may include information about personal finances, health (to the extent that it is needed for the planning process), and information about transactions between clients and third parties.

The Adviser will not share such information with any affiliated or non-affiliated third party except:

When necessary to complete a transaction in a customer account; when required to maintain or service a customer account; to resolve customer disputes or inquiries; with persons acting in a fiduciary or representative capacity on behalf of the client; with persons assessing compliance with industry standards, or with attorneys, accountants and auditors of the firm in connection with a sale or merger of the Adviser's business; to protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability; to comply with federal, state or local laws, rules and other applicable legal requirements; in connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement; in any circumstances with the customer's instruction or consent.

The Adviser restricts access to confidential client information to individuals who are authorized to have access to confidential client information for the purpose of providing services to clients.

The Adviser maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.

**Trade Errors**
In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

**Class Action Lawsuits**
We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

**IRA Rollover Considerations**
A client leaving an employer typically has four options (and may engage in a combination of these options): 1) leave the money in his former employer's plan, if permitted, 2) roll over the assets to his/her new employer's plan, if one is available and rollovers are permitted, 3) rollover to an Individual Retirement Account (IRA), or 4) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences).

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

There are various factors that our firm may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus those of our firm, iv) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any.

No client is under any obligation to roll over plan assets to an IRA managed by our firm. It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions, please contact our firm via phone or email.

**Bradley Stephenson, CFP®**

## Stephenson and Company, Inc.

**241 Avenida Del Mar**
**San Clemente, CA 92672**

**Telephone: 949-727-4255**

**July 5, 2019**

**FORM ADV PART 2B**
**BROCHURE SUPPLEMENT**

This brochure supplement provides information about Bradley Stephenson, CFP® which supplements the Stephenson and Company, Inc. brochure. You should have received a copy of that brochure. If you did not receive Stephenson and Company, Inc.'s brochure or if you have any questions about the contents of this brochure, please contact us at: (949)727-4255, or by email at: brad@stephensonfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Bradley Stephenson (CRD # 862866) is available on the SEC's website at www.adviserinfo.sec.gov.

## Item 2 Educational Background and Business Experience

Stephenson and Company, Inc. requires that advisers in its employment have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework may include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisers must have work experience that demonstrates their aptitude for financial planning and investment management.

**Bradley Stephenson, CFP®**
*Year of birth: 1954*

*Formal Education After High School*:
University of California, Santa Barbara - Bachelor of Arts Degree in Economics and Political Science (1978).

*Business Background*:

- Stephenson and Company, Inc., President/Chief Compliance Officer/Investment Adviser Representative, 1/2016 - Present
- Bradley Stephenson d/b/a Stephenson and Company, Investment Adviser Representative, 2/1991 - 1/2016
- Global Investment Solutions, LLC, Investment Adviser Representative, 11/2006 - 9/2017
- Regency Securities Inc. Registered Representative, 4/99 - 11/2010

**Professional Designations:**
Bradley Stephenson has been a Certified Financial Planner (CFP®) since 1982.

**Explanation of Professional Designation:**
The CFP® certification is a voluntary certification. No federal or state law or regulation requires financial planners to hold the CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice and (3) ethical requirements that govern professional engagements with clients.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

<u>Education:</u> Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). The CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning and estate planning;

<u>Examination:</u> The CFP® Certification Examination is administered in 10 hours over a two-day period. The exam includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances.

<u>Experience:</u> Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and agree to be bound by CFP Board's Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

Continuing Education: Complete at least 30 hours of continuing education hours every two years, which must include two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field.

Ethics: Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

## Item 3 Disciplinary Information

Stephenson and Company, Inc. is required to disclose if there are any legal or disciplinary events material to a client's or prospective client's evaluation of Bradley Stephenson. Mr. Stephenson has no information to be disclosed under this item.

## Item 4 Other Business Activities

Brad Stephenson is not actively engaged in any other business or occupation (investment-related or otherwise) beyond his capacity as President & CCO of Stephenson and Company, Inc. Moreover, Mr. Stephenson does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products.

## Item 5 Additional Compensation

Mr. Stephenson does not receive any additional compensation or economic benefits from any non-clients for providing advisory services (such as sales awards or bonuses).

## Item 6 Supervision

Bradley Stephenson is the President and Chief Compliance Officer of Stephenson and Company, Inc. and is self-supervised.

**Riley Stephenson, CFA, CFP®**

# Stephenson and Company, Inc.

**241 Avenida Del Mar**
**San Clemente, CA 92672**

**Telephone: 949-727-4255**

**July 5, 2019**

**FORM ADV PART 2B**
**BROCHURE SUPPLEMENT**

This brochure supplement provides information about Riley Stephenson which supplements the Stephenson and Company, Inc. brochure. You should have received a copy of that brochure. If you did not receive Stephenson and Company, Inc.'s brochure or if you have any questions about the contents of this brochure, please contact us at: (949)727-4255, or by email at: brad@stephensonfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Riley Stephenson (CRD # 111453) is available on the SEC's website at www.adviserinfo.sec.gov.

## Item 2 Educational Background and Business Experience

Education and Business Standards Stephenson and Company, Inc. requires that advisers in its employment have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework may include: an MBA, a CFP®, a CFA®, a ChFC, JD, CTFA, EA or CPA. Additionally, advisers must have work experience that demonstrates their aptitude for financial planning and investment management.

**Riley Stephenson, CFA**, **CFP®**
*Year of Birth:* 1985

*Formal Education After High School:*
- University of California, Santa Barbara Bachelor of Arts Degree in Business Economics (2007)

*Business Background*:
- Stephenson and Company, Inc., Chief Financial Officer/Investment Adviser Representative, 1/2016 - Present
- Bradley Stephenson d/b/a Stephenson and Company, Investment Adviser Representative, 2/2014 - 1/2016
- Morgan Stanley, Investment Adviser Representative/Registered Representative, 1/2013 - 4/2014
- Bradley Stephenson d/b/a Stephenson and Company, Intern, 8/2010 - 1/2013

**Professional Designations:**
Riley Stephenson has held the Chartered Financial Analyst® designation since 2013 and met the requirements to become a Certified Financial Planner (CFP®) in October 2016.

**Explanation of Professional Designations:**
**The Chartered Financial Analyst (CFA®)** course of study includes academic theory, current industry practices, ethical and professional standards, advanced investment analysis using a variety of tools, asset valuation, and the application of analytical methods and concepts as they apply to effective portfolio management and wealth planning.

<u>Education and experience:</u> In order to enroll in the CFA Program, an applicant must have a bachelor's (or equivalent) degree or be in the final year of a bachelor's degree program at the time of registration or have four years of professional work experience (does not have to be investment related) or have a combination of professional work and college experience that totals at least four years. Part-time positions do not qualify, and the four- year total must be accrued prior to enrollment.

<u>Examination:</u> The CFA Program includes a series of three exams: Level I, Level II, and Level III. Each level must be passed sequentially as one of the requirements for earning a CFA charter.

<u>Continuing Education:</u> The CFA Institute offers a voluntary Continuing Education (CE) Program. The CFA Institute recommends that members complete a minimum of 20 hours of CE activities, including 2 hours in the content areas of Standards, Ethics, and Regulations (SER), each calendar year.

<u>Ethics:</u> CFA Institute members are required to follow the Code of Ethics and Standards of Professional Conduct ("Code and Standards")

The Code of Ethics maintains that a CFA charter holder must place the integrity of the profession and the interests of clients above their own interests, act with integrity, competence, and respect and maintain and develop professional competence.

The Standards of Professional Conduct covers standards of professionalism and integrity of the capital markets, duties to clients and employers, investment analysis and recommendations and conflicts of interest.

**The CERTIFIED FINANCIAL PLANNER™, CFP®** and federally registered CFP® (with flame design) marks (collectively, the "CFP® marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board").

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 63,000 individuals have obtained CFP® certification in the United States. To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education - Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination - Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience - Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics - Agree to be bound by CFP Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education - Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics - Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

## Item 3 Disciplinary Information

Stephenson and Company, Inc. is required to disclose if there are any legal or disciplinary events material to a client's or prospective client's evaluation of Riley Stephenson. Mr. Stephenson has no information to be disclosed under this item.

## Item 4 Other Business Activities

Riley Stephenson is not actively engaged in any other business or occupation (investment-related or otherwise) beyond his capacity as Investment Advisor Representative of Stephenson and Company, Inc. Moreover, Mr. Stephenson does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products.

## Item 5 Additional Compensation

Riley Stephenson does not receive any additional compensation or economic benefits from any non-clients for providing advisory services (such as sales awards or bonuses).

## Item 6 Supervision

Riley Stephenson is supervised by Bradley Stephenson, the President and Chief Compliance Officer of Stephenson and Company, Inc.