



## Form ADV Part 2A: Firm Brochure

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This brochure provides information about the qualifications and business practices of Diversified Financial Management Associates, Inc. (“DFM”). If you have any questions about the contents of this brochure, please contact us at (781) 792-0440 and/or [dfm@dfmwealth.com](mailto:dfm@dfmwealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. DFM is a registered investment advisor with the SEC; however, such registration does not imply a certain level of skill or training.

Additional information about Diversified Financial Management Associates, Inc. is available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

**Item 2: MATERIAL CHANGES**

There are no material changes to our ADV Part 2A Firm Brochure since the Other-than-Annual Amendment of our ADV filed on July 22, 2014.

We will further provide you with a new ADV as necessary based on changes or new information, at any time, without charge. Currently, our ADV may be requested by contacting H. Calvin Place, Jr. at 781-792-0440 or by email at [dfm@dfmwealth.com](mailto:dfm@dfmwealth.com). Our ADV is also available on our website, [www.dfmwealth.com](http://www.dfmwealth.com) and is free of charge.

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## **ITEM 4: Advisory Business**

### **About Us**

Diversified Financial Management Associates, Inc. doing business as Diversified Financial Management (DFM) is an independent, fee only, investment advisory firm registered with the SEC. H. Calvin Place, Jr., was the Managing Director of Diversified Financial Management, Inc., which was owned by William N. McKenna, III. William McKenna started the firm in 1986. Diversified Financial Management Associates, Inc. is a privately held Massachusetts corporation established in 2014 by the sole owner, H. Calvin Place, Jr.

### **Our Services**

#### **Financial Planning**

DFM provides financial planning services. An investment advisor representative (IAR) of DFM gathers information on a client's current financial status, future goals, and attitudes towards risk, through in-depth client interviews and documents supplied by the client. Financial planning services may include some or all of the following:

- Financial projections
- Tax analysis
- Production of personal financial statements
- Investment reviews
- Estate planning
- Retirement planning and projections
- Education funding strategies
- Insurance needs analysis

Financial planning recommendations are not limited to any specific products or services offered by a broker/dealer or insurance company. Clients can implement financial planning recommendations through DFM or other avenues. DFM will normally schedule annual review meetings to discuss performance of the client's account(s), to review the client's financial situation, and to document any changes in the client's investment goals and objectives. To service our clients, we utilize a network of independent advisors including professionals in the fields of law, accounting, retirement plan administration, investment management, insurance, real estate, and other specialties where appropriate.

#### **Investment Advisory**

DFM customizes its investment advisory service according to the needs of each individual client. Typical needs of our clients include income generation, capital preservation, and growth of capital. DFM's approach to investing seeks to generate competitive long-term returns for its clients through diversified portfolios. As part of the investment advisory service, DFM assesses the global economic and investment conditions, advises on asset allocation, and identifies specific securities for purchase and sale. DFM enters into discretionary and non-discretionary advisory agreements with clients; the distinctions between discretionary and non-discretionary accounts are described in the following two paragraphs.

When DFM has investment discretion, it is authorized to make all investment decisions and to direct the execution of all transactions for the client's account (subject to the investment objectives, guidelines, and restrictions as noted in the client's investment policy statement)

without first consulting the client in connection with each transaction. DFM customizes discretionary portfolios for each client, typically consisting of the following security types:

- No load and/or load waived mutual funds
- Exchanged traded and closed-end funds
- Common and preferred stocks
- Options
- Exchange traded real estate investment trusts and master limited partnerships
- Certificates of deposit
- Corporate, municipal and government bonds, notes and bills

When a client retains DFM on a non-discretionary basis, the client participates in all investment decisions and account transactions. While DFM can make investment recommendations, only those recommendations authorized by the client are processed in the client account. DFM customizes non-discretionary portfolios for each client, typically consisting of the following security types:

- No load and/or load waived mutual funds
- Exchanged traded and closed-end funds
- Common and preferred stocks
- Options
- Exchange traded real estate investment trusts and master limited partnerships
- Certificates of deposit
- Corporate, municipal and government bonds, notes and bills

#### Investment Manager Evaluation, Selection, and Monitoring

DFM evaluates and provides its clients access to outside investment managers. Outside investment managers identified by DFM typically offer an investment capability that DFM does not possess in-house. When a client decides to invest with an outside manager, it is done so at the sole discretion of the client, with the client contracting directly with the outside manager. Once a client selects an investment manager, DFM, at least quarterly, measures the manager's investing actions against the stated investment mandate. DFM also provides performance evaluations and reporting on the account. Investment manager selection factors include, but are not limited to, the following:

- Investment philosophy and style of manager
- Historical performance and volatility of returns
- Management fees
- Tax issues
- Account size
- Other client investment managers or assets

The outside investment manager invoices the client and normally deducts their fee from the account. The minimum account size is dependent on the investment manager's minimums and typically range from \$500,000 to \$2,000,000. DFM deducts a separate fee which is described in the "Fees and Compensation" section.

### Retirement Plan Consulting

DFM provides research and analysis of plan investments for 401(k) and other participant and employer directed plans. DFM's consultant service assists plan trustees in satisfying their fiduciary duties of providing participants a broad range of competitive investment options. As part of the service, DFM may provide a comprehensive quarterly or periodic report that includes security analysis, performance and risk information, and any criteria specified by the trustees of the plans.

DFM also advises retirement plan fiduciaries on the topics of asset allocation and investment implementation within the retirement plan. Plan trustees have ultimate discretion as to whether DFM's investment recommendations are implemented in the plan. In addition to making investment recommendations, DFM monitors each investment throughout the year for performance, risk management, investment objective continuity, and internal costs.

### Retirement Plan Education

DFM provides education to plan participants on investing, retirement planning, and other related topics. DFM makes periodic presentations to plan participants, which include an interactive discussion and educational materials for the audience.

### **Assets Under Management**

DFM managed approximately \$51,507,236 client assets on a discretionary basis and \$104,961,778 client assets on a non-discretionary basis as of 3/28/2018.

## **ITEM 5: Fees and Compensation**

### Financial Planning

DFM estimates an initial financial planning fee in advance based on the complexity of the client's financial situation and the scope of planning required. Fees range from \$1,000 to \$10,000 based upon hourly rates of \$75 to \$250. As agreed to in advance with the client, this fee is payable in installments as work is performed or upon completion.

### Investment Advisory Services and Investment Manager Evaluation, Selection, and Monitoring

DFM generally has established investment advisory and manager evaluation fees for its clients in accordance with the fee schedule below. Fees are generally payable quarterly in arrears. The annual fee schedule is:

<u>Portfolio Values of:</u>	<u>Annual Fee Schedule</u>
On the first \$1,000,000	1.00%
On the next \$2,000,000	0.90%
On the next \$2,000,000	0.75%
Values over \$5,000,000	0.50%

Although DFM does not have a minimum account size, we normally charge a minimum annual fee of \$5,000. For larger portfolios, DFM's fee may also include ongoing financial planning as described in the "Our Services-Financial Planning" Section. For clients with multiple accounts, assets may be aggregated to arrive at the client portfolio value.

Fees are negotiable. In its sole discretion, DFM may charge a lesser advisory fee or waive the \$5,000 minimum annual fee based upon certain criteria (historical relationship, related accounts, negotiations with client, expectations of significant capital additions in the future, etc.).

DFM bills fees quarterly in arrears based on investment account values on the last day of each calendar quarter. To calculate fees, DFM applies one fourth of the billing rate to account values posted on the last day of each calendar quarter in our reporting software.

#### Prorated fees

For new clients, the first invoice is generally prorated from the date assets are placed in accounts, or upon an agreed upon billing date. The prorated calculation divides one fourth of the billing rate to account values posted on the last day of the calendar quarter in our reporting software divided by the number of days in the quarter, multiplied by the number of days from the start date.

Capital flows greater than 10% of the account or group portfolio value are prorated using standard calculations.

#### Termination

Clients have the right to terminate the advisory agreement at any time, without penalty, with written notice. Upon termination of the advisory agreement, fees are prorated to the termination date or date the assets are scheduled to leave the account (as instructed by the client and hereafter referred to as the “termination date”). The prorated fee calculation divides one fourth of the annual billing rate by the value of the assets on the termination date, divided by the number of days in the calendar quarter, multiplied by the number of days to the termination date. DFM deducts the fee from the client’s account (if designated) and generates a final invoice copy for the client’s records. Clients that pay by invoice receive a prorated final invoice that is payable upon receipt.

#### Retirement Plans – Consulting

DFM bases its fee upon the total value of plan assets. DFM normally bills fees upon completion of the initial report and subsequent annual reports. The fee is negotiable and generally can range from \$10,000 to \$50,000.

#### Other Fees and Expenses

In addition to investment advisory fees payable to DFM, clients will also incur expenses that are not payable to DFM but arise in connection with DFM’s investment advisory services. These expenses may include, but are not limited to:

- Custodian fees and expenses
- Brokerage commissions
- Mark-ups and mark-downs
- Wire fees
- Other transaction costs
- Mutual fund transaction fees and charges imposed by the mutual fund

DFM receives no compensation or benefits from any of these listed “other fees and expenses.”

## **ITEM 6: Performance-Based Fees and Side-By-Side Management**

DFM and its supervised persons do not accept or charge any fees based on a share of capital gains on or capital appreciation of client assets.

## **ITEM 7: Types of Clients**

DFM provides investment advisory services to individuals, trusts, estates, businesses, and retirement, pension and profit sharing plans. Although DFM does not have a minimum account size, DFM normally charges a minimum annual fee of \$5,000. (See Item 5: “Fees and Compensation,” for more information).

## **ITEM 8: Methods of Analysis, Investment Strategies and Risk of Loss**

DFM professionals build balanced and diversified portfolios to manage risk, while positioning accounts to capitalize on longer term economic and investment trends.

DFM realizes that each client is unique, with specific needs and aspirations. When a client engages DFM, our focus is to fully understand their particular objectives and tax profile in order to create an appropriate investment strategy. DFM takes a holistic approach to asset allocation, considering the entirety of the client investments which may include individual securities, mutual funds, exchange traded funds (ETFs), real estate investment trusts (REITs), or other securities.

### **Individual Equities**

DFM analyzes equity investments worldwide on behalf of our clients. DFM combines this security selection process with portfolio construction to produce customized portfolios tailored to clients’ risk-return objectives. Quantitative and Fundamental approaches are utilized in selection of individual stocks.

### **Separately Managed Portfolios**

For managed equity accounts, DFM sometimes recommends and monitors outside independent investment managers. DFM evaluates their investment philosophy, stock selection process, and performance across a wide variety of disciplines and styles.

### **Mutual Fund Portfolios**

DFM selects mutual funds from thousands of no-load and/or load-waived funds through a thorough evaluation process. The mutual fund evaluation process includes analysis of risk and returns, style purity, manager tenure, and other considerations. Mutual fund portfolios are tailored to each client’s requirements, either as part of an overall strategy that includes other types of investments or for an entire investment account. DFM monitors fund investment performance and risk characteristics on an ongoing basis.

### **Fixed Income Portfolios**

DFM’s fixed income strategy is customized to each client’s needs. DFM develops a diversified fixed income allocation to incorporate clients’ income requirements with a thorough analysis of



interest rate trends. We typically utilize municipal, U.S. treasury, agency, and high-quality corporate bonds. Where suitable, DFM may integrate potentially higher yielding investments which include preferred stock, structured and/or leveraged products, master limited partnerships (MLPs), and convertible bonds.

#### Alternative Investments

DFM conducts its own due diligence and allocates capital to alternative asset classes that offer a compelling risk-return profile. DFM gives clients access to what it believes are appropriate alternative investment ideas, as well as experienced outside managers and researched funds. We assess and recommend opportunities in private equity, commodities, global currencies, venture capital, and real estate.

During the investment process, DFM reviews numerous sources of information: financial newspapers and media, 3rd party research materials, company filings and prospectuses, and company press releases.

DFM does not guarantee that investments will produce profits or that future returns will equal historical performance. Investing in securities involves risk of loss.

#### **ITEM 9: Disciplinary Information**

There are no legal or disciplinary events for DFM or its registered advisors.

#### **ITEM 10: Other Financial Industry Activities and Affiliations**

DFM has no other financial industry activities or affiliations to disclose.

#### **ITEM 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

##### Code of Ethics

The Investment Advisors Act of 1940 prohibits DFM employees and any related persons from engaging in fraudulent and manipulative practices with respect to its clients or their accounts. The rules under the Act also require DFM to adopt and publicize a Code of Ethics designed reasonably to prevent engagement in prohibited practices. DFM's Code of Ethics serves to provide personnel and clients with an understanding of DFM's obligations as fiduciary. DFM will provide a copy of the Code of Ethics to any client or prospective client upon request.

##### Participation or Interest in Client Transactions and Personal Trading

DFM, its employees, or their immediate family members may buy or sell securities identical to those recommended to clients for their personal account. As small investors, these purchases would not normally affect the market. It is the policy of DFM that no DFM employees or their family members may purchase or sell any security prior to a transaction(s) being implemented for an advisory account to prevent employees from benefiting from advisory account transactions.

DFM's Chief Compliance Officer monitors the trades and holdings of all employees and their family members on a quarterly basis, as required by the SEC rule 204A-1 under the Advisers Act.

DFM established the following restrictions to ensure its fiduciary responsibilities and prevent conflicts of interest:

- DFM emphasizes the unrestricted right of the client to specify investment objectives, guidelines, and/or conditions on the overall management of their account.
- DFM, its employees, or their immediate family members shall not buy or sell securities for their personal portfolio(s) based on insider information (information that is not available to the investing public on reasonable inquiry).
- DFM, its employees, or their immediate family members shall not prefer his or her own interest to that of the advisory client.
- DFM, its employees, or their immediate family members generally may not participate in private placements or initial public offerings (IPOs) without pre-clearance from DFM's Chief Compliance Officer.
- DFM requires that all employees act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- Any employee not in observance of the above guidelines may be subject to termination.

#### **ITEM 12: Brokerage Practices**

DFM recommends Fidelity Institutional Wealth Services ("Fidelity") and Schwab Advisor Services ("Schwab") to advisory clients in need of brokerage and custodial services. DFM believes Fidelity and Schwab provide a full range of investment and other financial services at rates that are comparable to services offered in the financial services community. It is possible other financial service firms may charge brokerage and custodial service rates less than Fidelity and Schwab. Fidelity and Schwab provide services that assist DFM in managing and administering clients' accounts through software and other technology that:

- Provide client access to on-line reporting (such as trade confirmations and account statements)
- Facilitate trade execution
- Provide research, pricing and other market data
- Process payment of advisory fees
- Assist with back-office functions, record-keeping and client reporting.

DFM does not receive any soft dollars with respect to its relationship with Fidelity, Schwab, or any other brokers.

Clients may utilize the custodian and broker/dealer of their choice.

When DFM believes it is desirable, appropriate and feasible to purchase or sell the same security for a number of client accounts at the same time, DFM may aggregate its clients' orders. The primary purpose of aggregating a purchase or sale of a security for multiple clients is to ensure that each client receives the identical purchase or sale price.

### **ITEM 13: Review of Accounts**

DFM reviews client accounts in a variety of ways. DFM is responsible for periodically monitoring client portfolios and identifying those accounts that warrant a more detailed review. DFM also reviews portfolios whenever market conditions offer attractive buy/sell opportunities and in conjunction with client-driven changes in cash flows or objectives.

DFM sends its clients portfolio reports at least quarterly. The quarterly reports include an investment commentary letter, time-weighted performance for the quarter and year-to-date-period, a list of each portfolio holding, as well as relevant investment benchmark returns.

### **ITEM 14: Client Referrals and Other Compensation**

DFM has no financial arrangements with affiliated parties or unaffiliated third parties for referring clients to DFM.

### **ITEM 15: Custody**

DFM does not maintain or hold custodial accounts for clients' securities or funds. DFM does recommend Fidelity and Schwab as qualified custodians to clients, but the client is free to choose a different custodian that meets all the necessary requirements, including delivery of quarterly investment statements. Clients should carefully review those statements when they receive them.

### **ITEM 16: Investment Discretion**

DFM renders investment advice and counseling on both a discretionary and non-discretionary basis. Regardless of whether an account is discretionary or non-discretionary, DFM requires a written agreement between DFM and the client that sets forth DFM's authority to act on behalf of the client and any limitations thereto. This agreement may be supplemented with various letters of authority or powers of attorney. In addition, an investment policy statement is collaborated on by DFM and the client, outlining important attributes of the client such as risk tolerance, return objectives, investment time horizon, and other key considerations.

### **ITEM 17: Voting Client Securities**

DFM does not retain proxy voting authority. DFM clients will receive proxies and other solicitation materials directly from their custodians or transfer agent. Clients may contact DFM with questions about a particular proxy issue.

### **ITEM 18: Financial Information**

Under this disclosure item, the SEC requires advisers to disclose certain financial information if, among other things, the adviser requires pre-payment of advisory fees of more than \$1200 per client, six months or more in advance, or the adviser's financial condition is reasonably likely to impair its ability to meet its contractual commitments to clients. DFM does not require such pre-payments and its financial condition is not impaired.