

## **WJ Financial Advisors, LLC**

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### **Firm Brochure**

(Part 2A of Form ADV)

## **March 2022**

This brochure provides information about the qualifications and business practices of WJ Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at: (860) 663-3646, or by email at: [wj@wjadvisors.com](mailto:wj@wjadvisors.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 WJ Financial Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

Since the last annual filing of this brochure (March 2021), the following material changes have occurred:

- The Firm has applied and been granted registration with the United States Securities and Exchange Commission (SEC) and has withdrawn from registration with the State of Connecticut.

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## **Item 4: Advisory Business**

WJ Financial Advisors, LLC (“WJFA” or the “Firm”) was founded in 2006 with the objective of delivering outstanding financial solutions, centered on individual attention. WFJA’s principal owners are Wallace Jones, Joseph Giaccone and Jennifer Elles-Jones. Jennifer Elles-Jones is not active in the day-to-day operations of the firm.

### **Types of Advisory Services**

WJFA is strictly a fee-only financial planning and investment management firm. The Firm provides financial planning services, investment management and advisory services, as well as portfolio review and analysis services. Financial planning services are offered as a stand-alone service that can be billed by the scope of the plan or by the hour, or in conjunction with investment management services. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder’s fees are accepted.

WJFA furnishes advice to clients on matters not involving securities, such as financial planning matters. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

### **Tailored Advisory Services**

The goals and objectives for each client are reviewed. Investment portfolios are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

### **Assets under Management**

As of December 31, 2021, WJFA manages approximately \$145,116,902 million in discretionary assets. No assets are managed on a non-discretionary basis.

## **Item 5: Fees and Compensation**

WJFA bases its fees on a percentage of assets under management, hourly charges, and fixed fees. Financial plans are priced according to the degree of complexity associated with the client’s situation. An initial introduction and consultation is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client. Fees are negotiable.

### **Investment Management/Advisory Services & Fees**

Many clients choose to have WFJA manage their assets in order to obtain ongoing in-depth advice and life planning. All aspects of the client’s financial affairs are reviewed. Realistic and measurable goals are set

and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. An Advisory Service Agreement may include assistance with: cash flow management; insurance review; investment management (including performance reporting); education planning; retirement planning; estate planning, as well as assistance with the implementation of recommendations within each area.

Fee Schedule for Investment Management/Advisory Services:

<u>Assets</u>	<u>Quarterly Fee</u>	<u>Annual Fee</u>
First \$1,000,000	0.250% - 0.375%	1.00% - 1.75%
Then \$1,000,000-\$3,000,000	0.225%	0.90%
Then \$3,000,000-\$7,500,000	0.1875%	0.75%
Then \$7,500,000-\$12,000,000	0.1375%	0.55%
Then \$12,000,000-up	0.1125%	0.45%

Fees are payable quarterly. Fees are based on fair market value of account at the end of each billing quarter. Investment management fees are billed quarterly, in ARREARS (we invoice you AFTER the three-month billing period has ENDED). Payment in full is expected upon invoice presentation. Fees CAN BE deducted from a designated client account or paid via check. Due to specific client requests, the Firm has established direct fee payment arrangements with client accounts held at Charles Schwab & Co. Inc. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

The Advisory Service Agreement is an ongoing agreement and adjustments might be required. The length of service to the client is at the client’s discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

**Portfolio Review and Analysis Services & Fees**

Fees for portfolio development and analysis are based on fair market value of the investment account(s). Accounts less than \$250,000 will be charged a flat fee of \$1,000. Accounts valued at \$250,000 and over will be charged 50% of the annual fee per investment advisory fee schedule above. A portion of this fee may be applied toward the management fee if the client hires WJ FINANCIAL ADVISORS, LLC to manage the account.

**Financial Planning Services & Fees**

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; 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. Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The fee range is \$1,500 to \$15,000 and is negotiable depending on the scope of work. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Follow-on implementation work may be billed separately at the rate of \$250 per hour.

#### Hourly Planning Engagements

WJFA provides hourly planning services for clients who need advice on a limited scope of work. At a client's request, the Firm can perform a specific analysis, such as a risk assessment or a backcast analysis. Fees for analytical work such as this will be billed on an hourly basis. Fees will range from \$125 to \$375 per hour depending on the engagement. The minimum fee for a comprehensive financial plan will be \$995. There is no minimum fee for specific analysis engagements. The fee is billed with 50% payable at the signing of the agreement and 50% due upon completion. Client has the ability to terminate the engagement at any point in time; written request is required. Client will be invoiced for any time charges incurred by WJFA in performing the work prior to receipt of written request to terminate. If the amount of work performed did not exceed the 50% paid up front at the signing of the agreement, a refund will be paid to the client within 5 business days.

#### **Other Fees**

Client accounts pay directly for fees assessed by the custodian, such as transaction, wire, exchange, or custodial fees. When WJFA recommends a mutual fund for a client's account, separate fees may be charged to the client, either directly or indirectly. Investment companies charge internal fees for the fund's investment management, marketing, administration, and marketing assistance. These internal expenses are disclosed in each fund's prospectus which is provided to each client by the custodian. (This set of fees also applies to any ETF or money market fund purchased in the client's account.) These fees

are in addition to the fees paid by clients to WJFA. For more language on the custodian relationship, please refer to the section below “Brokerage Practices” for more details.

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

WJFA does not charge any performance-based fees or engage in side-by-side management.

## **Item 7: Types of Clients**

### **Description**

WJFA provides personalized confidential financial planning and investment management to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, not-for-profit corporate entities, and small businesses. Client relationships vary in scope and length of service.

### **Account Minimums**

WJFA does not have established minimum account size requirements.

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

### **Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis. The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

### **Investment Strategies**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes a Target Asset Allocation that documents their objectives and their desired investment strategy.

Asset allocation is emphasized in the investment management process at the Firm. The use of low-cost, passive-index funds is central to the construction of client portfolios. A target asset allocation is established based upon the client’s financial needs, risk tolerance and desired return. Based upon prevailing market conditions and in the judgment of WJFA, decisions will be made to overweight, or underweight certain asset allocation categories.

For certain clients, other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options, or spreading strategies).

## Risk of Loss

All securities investing and trading activities risk the loss of capital. The nature of the securities to be purchased and traded and the investment techniques and strategies to be employed by the Firm may increase this risk. While WJFA will attempt to moderate these risks, there can be no assurance that the Firm's investment activities will be successful or that losses will not be suffered. An investment in an individual account is suitable only for persons who have adequate means of providing for their current needs and personal contingencies and have no need for liquidity in their investments. Many unforeseeable events, including actions by various government agencies, and domestic and international economic and political developments, may cause sharp market fluctuations that could adversely affect performance.

Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments (usually referring to bonds coming due, but also applicable to dividend and interest payments) may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then arranging transportation and selling it to refiners, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric utility company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury

Bills are highly liquid, while real estate properties are not. Large capitalization stocks are more liquid, typically, than small capitalization stocks.

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

## **Item 9: Disciplinary Information**

Neither WFJA nor any of its employees have been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

WFJA has no other financial industry activities or affiliations.

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

### **Code of Ethics**

WFJA has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as "employees") and focuses on three specific areas where employee conduct has the potential to adversely affect the client:

- Misuse of nonpublic information
- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. A copy of the Firm's Code of Ethics will be provided upon request by clients or prospective clients.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients' interests come before employees' personal interests and before the Firm's interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.
- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.

- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

## Misuse of Nonpublic Information

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal or recommending clients' securities trades.

## Personal Securities Trading

WJFA or individuals associated with the Firm may buy, sell, or hold in their personal accounts the same securities the Firm recommends to its clients. This creates a potential conflict of interest with the possibility of Firm personnel obtaining a better price than clients obtain. To mitigate this conflict, such trades may occur on the same day at the same time receiving average pricing or after the client with the client receiving the same or better pricing. The Firm does not allow front running.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

## Outside Business Activities

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed, or the employee will be directed to cease this activity.

## Item 12: Brokerage Practices

### Selecting Custodian and Broker-Dealers

Specific custodian recommendations are made to Clients based on their need for such services, however, final decision on selection of custodian remains with the client. WJFA recommends custodians based on the track record of the firm and the best execution of orders at reasonable commission rates. The Firm recommends Charles Schwab & Co. (Schwab) and Vanguard Group (Vanguard) in most instances. WJFA does **NOT** receive any fees or commissions from any brokerage firm.

WJFA recognizes its responsibility to attain best execution and recognizes that limiting its custodial relationships may affect its ability to provide best execution on a trade-by-trade basis. However, the Firm evaluates its entire custodial relationship in assessing best execution on a client-by-client basis.

The Firm participates in the Schwab Advisor Services (SAS) services program offered to independent investment advisors by Charles Schwab & Company, Inc. ("Schwab"), a FINRA-registered broker-dealer. Clients in need of brokerage and custodial services will generally have Schwab recommended to them due to Schwab's:

- Discounted commission structure
- Arrangements with multiple mutual fund families to trade through Schwab
- Financial stability
- Provision of account information online to all clients
- Client service to the Firm and its clients
- Ease of reporting to the Firm and its clients

As part of the SAS program, the Firm receives benefits that it would not receive if it did not offer investment advice.

### **Research and Other Soft-Dollar Benefits**

WFJA currently has no formal soft-dollar arrangements, where specific products or services are paid for with soft dollars generated for the Firm by individual trades the Firm places in client accounts. However, custodians provide the Firm with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

Schwab provides the Firm with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab. These services are not contingent upon the Firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For the Firm's client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to the Firm other products and services that benefit the Firm but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of the Firm's accounts.

Schwab's products and services that assist the Firm in managing and administering clients' accounts include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide research, pricing, and other market data
- Facilitate payment of the Firm's fees from its clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Schwab also offers other services intended to help the Firm manage and further develop its business enterprise. These services may include:

- Compliance, legal and business consulting
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to the Firm: Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. Schwab may also provide other benefits such as educational events or occasional business entertainment of Firm personnel. In evaluating whether to require that clients custody their assets at Schwab, the Firm may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## **Brokerage for Client Referrals**

The Firm does not receive referrals from a broker-dealer or third-party providing services to WJFA.

## **Directed Brokerage**

WJFA recommends that clients direct the Firm to execute transactions through their primary custodian, Schwab. Clients may not request that trades be enacted through another specific broker. Not all advisors require their clients to use a particular custodian or broker. When clients direct the execution of transactions to another broker, the firm may not be able to achieve most favorable execution of those client transactions, and that practice may cost clients more money.

## **Order Aggregation**

WJFA may aggregate brokerage orders for its clients and allocate the securities purchased or sold among the participating accounts, with each account receiving the same terms. Since Schwab does not charge transaction fees at the account level whether or not a trade is placed as a block trade, aggregating trades does not affect client transaction fees. The proportion in which participating accounts will share transactions will be determined by the portfolio manager(s) on the basis of investment objectives, cash availability, expected cash and liquidity needs, and other relevant factors. The overarching principle for that allocation is that no client is intentionally favored over another client that is similarly situated.

## **Item 13: Review of Accounts**

### **Periodic Reviews**

Account reviews are performed monthly by Wallace Jones, CFA. When market conditions become more volatile, account reviews may occur more frequently. A written evaluation of each client's initial situation may be provided to the client. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

### **Review Triggers**

Other events that may trigger a special review include changes in client financial conditions, tax law changes, or other new information.

### **Regular Reports**

Clients receive monthly or quarterly summaries from WJFA which align account data with asset allocation and performance data. Target allocation data are also included in the summary – differences between target and actual allocation are discussed within the summary. The summary also provides notice to clients proposed for trades or future changes to target allocation levels.

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

WJFA only receive compensation and economic benefits from clients in exchange for advisory services.

WJFA may compensate persons or firms for Client referrals in compliance with the Adviser's Act and state securities rules and regulations. The fees paid to referral sources do not affect the fees Clients pay to WJFA. In each instance, a written agreement will exist between the Advisor and the referral source. At the time of a referral, prospective advisory Clients will receive the Advisor's ADV Part 2 and a Solicitor's Disclosure Document. WJFA has established policies and procedures to ensure that its solicitation activities are compliant with the requirements under Rule 206(4)-3 of the Adviser's Act.

## **Item 15: Custody**

Custody is defined as having any access to client funds or securities. Because WJFA generally has the authority to instruct the account custodian to deduct the investment management fee directly from the client's account, WJFA is considered to have "custody" of client assets. This limited access is monitored by the client through receipt of account statements directly from the custodian. These statements all show the deduction of the management fee from the account. Otherwise, WJFA may only direct the movement of funds from one account in the client's name to another such titled account but has no other access to funds. All assets are held at qualified custodians. The custodians provide account statements directly to clients at their address of record at least quarterly.

When clients receive their statements from the account custodian, clients should carefully review those statements and take the time to compare them with those they receive from WJFA. If the client finds significant discrepancies, the custodian and WJFA should be notified.

## **Item 16: Investment Discretion**

### **Discretionary Authority for Trading**

WJFA accepts discretionary authority to manage securities accounts on behalf of clients. For these discretionary accounts, the Firm has full trading authority under a limited power of attorney assigned to WJFA. As a result, WJFA has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. The Firm follows the investment strategy as set forth in the investment management agreement. Clients may place restrictions on the Firm's discretion in writing.

Non-discretionary accounts are managed for clients not willing or unable to provide limited power of attorney to WJFA. For these Non-discretionary accounts, WJFA consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

## **Item 17: Voting Client Securities**

### **Proxy Votes**

WJFA has the authority to vote client securities (proxies) when clients grant the Firm such authority. When it is determined that voting a proxy is in the relevant clients' best interests, WJFA generally votes with management recommendations; however, clients can direct the Firm on how to vote. If a conflict of interest exists, it will be disclosed to the client. Exceptions will be evaluated and documented on a case-by-case basis in consultation with the Chief Compliance Officer. At any time, clients may request a copy of the Firm's Proxy Voting Policies and Procedures.

Clients may also choose to maintain their authority to vote their securities on their own. When assistance on voting proxies is requested, WJFA will provide recommendations to the Client.

## **Item 18: Financial Information**

### **Financial Condition**

WJFA does not require or solicit fees of more than \$1,200.00 per client six months or more in advance, has never filed for bankruptcy, and is not aware of any financial condition that is reasonably likely to impair the Firm's ability to meet the contractual commitments to clients.