



# Leal Financial Planning

A State of California Registered Investment Adviser

## **Item 1 – Cover Page for Form ADV Part 2**

January 1, 2011

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This brochure provides information about the qualifications and business practices of Leal Financial Planning. If you have any questions about the contents of this brochure, please contact Karl Leal at 408-879-2328 or [karl@lealfp.com](mailto:karl@lealfp.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. While the firm and its personnel are registered with the State of California, it does not imply a certain level of skill or training on the part of the firm or its personnel.

Additional information about Leal Financial Planning is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number, which is 152708.

## **Item 2 - Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV,” adopting new rules which amend the disclosure document (“Brochure”) that we provide to clients as required by SEC Rules. Accordingly, this Brochure is materially different in structure and requires certain new information that our previous brochure did not require. Pursuant to the new SEC Rules, we will ensure that all of our current clients receive this Brochure, in its entirety, by May 30, 2011.

In this Summary of Material Changes, we discuss only the material changes since the last annual update of this Brochure, which was last updated on March 10, 2010:

(1) We provide additional disclosures regarding material conflicts of interest which may exist, and how we manage those conflicts in order to keep our clients’ best interests paramount at all times. Specifically, we provide enhanced disclosures regarding our relationships with qualified custodians (i.e., discount brokerage firms) and certain investment product providers whom we recommend to our clients.

(2) We also include the new Form ADV, Part 2B (each individual’s “Financial Advisor Biography”). Please refer to each Form ADV, Part 2B Financial Advisor Biography, included as a separate document accompanying this Brochure.

(3) We provide additional disclosures on professional designations shown on business cards and marketing material.

(4) We provide information on industry groups that we are affiliated with.

(5) We provide a more extensive review of our investment policies and practices, and the risks attendant to those strategies, and the risks of specific asset classes or investment products we may recommend to our clients.

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## **Item 4 – Advisory Business**

Leal Financial Planning was organized in 2010. It has been registered with the Department of Corporations in the State of California as a Registered Investment Adviser firm since 2010. Karl Leal is 100% owner and principal of the firm.

Leal Financial Planning provides Fee-Only, hourly, as-needed financial planning and investment advice services to individuals from all walks of life and specialize in providing advice to individuals planning for retirement. These services may be general in nature or focused on a particular area of interest or need, depending on the individual's unique circumstances.

An estimated 67% of our activities involve providing investment advice, which may include advice on asset allocation and investment selection, and an estimated 33% of our activities involve providing financial advice, which may include advice on income and expense planning, tax planning, insurance planning, estate planning, retirement planning and education planning.

Regarding the investment advice process, first, we gather information about the client's personal financial situation and then conduct a meeting with the client to clarify the client's personal financial information and determine the client's specific needs, objectives, goals and tolerance for risk. Then, we recommend a proper asset allocation based on the client's personal financial situation. Then, we recommend specific investments to fill out the recommended asset allocation. Next, we recommend that the portfolio be maintained by rebalancing about annually and/or making adjustments as needed. The engagement is concluded upon completion of these recommendations. The client may re-engage us as needed. Periodic reviews are recommended and it is the client's responsibility to initiate these reviews.

## **Item 5 – Fees and Compensation**

Leal Financial Planning charges fees on a Fee-Only, hourly basis. Fees for financial planning and investment advice services are \$125 per hour. The client is billed after the plan and recommendations are made.

Fees are negotiable at our sole discretion.

For each engagement, proposed services and an estimated fee range are detailed in the written service agreement.

In connection with using our services, the client may also incur separate fees and expenses that are charged by mutual funds and/or exchange traded funds (ETFs). We recommend that the client review the investment prospectus for a complete explanation of these fees and expenses. In addition, the client may also incur separate transaction costs or administration fees from brokerage firms. We recommend that the client obtain a complete schedule of fees from their brokerage firm. We do not receive any portion of these other fees. We do not receive commissions or third-party payments of any kind. The only compensation we receive is in the form of hourly fees paid directly by the client.

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

Leal Financial Planning does not charge fees based on a share of capital appreciation of the funds of an advisory contract, also known as performance-based fees. We also do not provide ongoing investment management services, so issues related to side-by-side management are not applicable.

## **Item 7 – Types of Clients**

Leal Financial Planning provides its services primarily to individuals and their families, and trusts. We do not require minimums as to income, assets, net worth, and length of engagement, revenues generated or other conditions for engaging our services.

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

### ***Methods of Analyses and Investment Strategies, Generally***

If Leal Financial Planning is engaged to provide investment advice, first, we gather information about the client's personal financial situation and then conduct a meeting with the client to clarify the client's personal financial information and determine the client's specific needs, objectives, goals and tolerance for risk. We employ a fundamental, long-term, buy-and-hold philosophy in regards to investment advice. We favor a passive approach to investing.

Then, we recommend a proper asset allocation based on the client's personal financial situation. We make asset allocation and investment policy decisions using our best judgment to help the client achieve their overall financial objectives and goals while minimizing risk exposure. We believe that the appropriate allocation of assets across diverse investment categories (i.e. stock vs. bond, foreign vs. domestic, large cap. vs. small cap., high quality vs. high yield, etc.) is the primary determinant of portfolio returns and is critical to the long-term success of a client's financial objectives and goals. Then, we recommend specific investments, primarily low-cost, no-load, index mutual fund and exchange traded fund investments, to fill out the recommended asset allocation. Next, we recommend that the portfolio be maintained by rebalancing about annually and/or making adjustments as needed.

### ***Risk of Loss***

While we believe our investment strategy is designed to potentially produce the highest possible return for a given level of risk, it cannot guarantee that an investment objective or goal will be achieved. Some investment decisions made by us may result in loss, which may include the original principal amount invested. The client must be able to bear the various risks involved in investing, which may include market risk, liquidity risk, interest rate risk, currency risk or political risk, among others.

### ***Methods of Analyses and Investment Strategies, Generally***

In designing investment plans for clients, Leal Financial Planning relies upon the information supplied by the client. Such information may pertain to the client's financial situation, estate planning, tax planning,

risk management planning, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk.

This information becomes the basis for the strategic asset allocation plan which we believe will best meet the client's stated long-term personal financial goals. The strategic asset allocation provides for investments in those asset classes which Leal Financial Planning believes (based on historical data) will possess attractive combinations of return, risk, and correlation over the long term.

The investment advice which Leal Financial Planning provides is based upon long-term investment strategies which incorporate the principles of Modern Portfolio Theory. The utilization of several different asset classes as part of an investor's portfolio is emphasized, as this has been shown to usually effect a reduction in portfolio volatility (i.e., the standard deviation of the portfolio returns) over long periods of time. Leal Financial Planning allocates and diversifies the client's assets among various asset classes and then among individual investments, following the investment policy agreed to by the client.

Leal Financial Planning's investment approach is firmly rooted in the belief that markets are fairly efficient (although not always rational) and that investors' gross returns are determined principally by asset allocation decisions. A focus is provided on developing and implementing globally diversified portfolios, principally through the use of low-cost and tax-efficient passively managed stock mutual funds and exchange traded funds.

Investment policy and overall portfolio weightings as between equities and fixed income investments are based upon each client's needs and desires, perceived risk tolerance and the need to assume various risks, and investment time horizon. The portfolios of clients may then follow models designed by Leal Financial Planning to fit the overall weightings of equities (stocks, stock mutual funds, etc.) and fixed income investments (notes, bonds, bond funds, CDs, etc.) in an investor's portfolio. For other clients, the investment portfolio's strategic asset class allocation is customized to meet the specific circumstances of a client, the presence of investments in 401(k) or other accounts, as well as a perception of the client's understanding of the fundamental forces affecting risk and return in the capital markets.

### ***Types of Investments***

Each client typically receives an investment portfolio which consists mainly of no-load stock and bond mutual funds and exchange traded funds. Passively managed stock and bond funds or exchange traded funds are generally recommended. Client portfolios may also include some actively managed funds, but these are generally part of clients' investment holdings prior to becoming a client of Leal Financial Planning. Some clients with funds in accounts like 401(k)s will have access only to actively managed funds that impose a number of fees (sales charges, commissions and marketing fees).

Client portfolios may also include some individual equity securities, but these are generally part of clients' investment holdings prior to becoming a client of Leal Financial Planning.

Publicly traded real estate investment trusts (REITS) and commodities index or passive mutual funds or exchange traded funds may be recommended for certain clients who desire to include real estate or commodities in their asset allocation strategy.

Insurance products such as annuities and various types of life insurance products may also be evaluated. Recommendations may be undertaken to clients to invest in low-cost, no-load (no commission) variable or fixed deferred or immediate annuities when appropriate to the circumstances and tax situation of the client.

New clients' existing investments are evaluated in light of the desired investment policy objectives. We work with new clients to develop a plan to transition from a client's existing portfolio to the desired portfolio. Investment advice may be offered on any investments held by a client at the start of the advisory relationship.

## **Item 9 – Disciplinary Information**

Neither Leal Financial Planning nor any of its personnel have been the subject of a reportable legal or disciplinary event.

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

Neither Leal Financial Planning nor any of its personnel are affiliated with or maintain a material relationship with another financial industry entity. Our policies require that we conduct business activities in a manner that avoids actual or potential conflicts of interest between the firm, personnel and the client, or that may otherwise be contrary to law. We will provide disclosure to the client, prior to and throughout the term of an engagement, of any conflicts of interest which will or may reasonably compromise our impartiality or independence.

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

Leal Financial Planning seeks to avoid material conflicts of interest. Accordingly, Leal Financial Planning does not receive any third party direct monetary compensation (i.e., commissions, 12b-1 fees, or other fees) from brokerage firms (custodians), insurance companies, or mutual fund companies.

However, some additional services and non-direct monetary or other forms of compensation are offered and provided to Leal Financial Planning as a result of its relationships with custodian(s), providers of mutual fund products, and insurance companies. For example, Leal Financial Planning's employees may be invited to attend educational events sponsored by such brokerage firms (custodians), insurance companies, or mutual fund companies. Other services may be provided as outlined below. Leal Financial Planning believes that the services and benefits actually provided to it by brokerage firms (custodians), insurance companies, or mutual fund companies do not materially affect the investment management and financial product recommendations made to clients of Leal Financial Planning. However, in the interest of full disclosure of any potential conflicts of interest, we discuss the possible conflicts herein.

Although Leal Financial Planning believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate, or at least minimize, potential material conflicts of interest, and to manage appropriate any material conflicts of interest that may remain, clients should be aware that no set of rules can possibly anticipate or relieve all potential material conflicts of interest.

Leal Financial Planning has adopted a code of ethics that sets forth the basic policies of ethical conduct for all associated persons of the firm. We accept the obligation not only to comply with the mandates and requirements of all applicable laws and regulation, but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities. We will be happy to provide a copy of our code of ethics to any client or prospective client, upon request.

Neither Leal Financial Planning nor any of its personnel are authorized to recommend or effect a transaction for a client involving any security in which the firm or a related party has a material financial interest, such as in the capacity as an underwriter, advisor to the issuer, etc. Additionally, we are prohibited from borrowing from or lending to a client, unless that client is an approved financial institution or is an immediate family member. In such instances, authorization for the loan must be granted in advance and documented in writing.

At times personnel and related parties may hold positions in investments that are also recommended to the client. We may make recommendations or take actions with respect to investments that may differ in the nature or timing from recommendations made to, or actions taken for, other clients or personnel. However, at no time will the personnel or any related party receive preferential treatment over the client.

## **Item 12 – Brokerage Practices**

Leal Financial Planning is not affiliated with any bank, custodian or brokerage firm. If we are engaged to provide investment advice, we will offer to use the service provider with whom the client's assets are currently maintained. If the client prefers to use a new service provider, we will recommend one based on the need, overall cost and ease of use for the client.

Our policy is to restrict any non-cash compensation, or soft dollars, that we may receive from a service provider to only that which enhances our ability to render quality advice and service to the client. Although we may recommend one or more service providers to the client, we derive no special benefit from doing so, nor do we "pay up" to receive additional services.

The only compensation we receive is in the form of hourly fees paid directly by the client. Therefore, we do not receive any additional compensation when the client engages a recommended brokerage firm or other service provider.

## **Item 13 – Review of Accounts**

Leal Financial Planning does not provide continuous monitoring of its financial planning and investment advice services. Periodic reviews are recommended and it is the client's responsibility to initiate these reviews. We remind the client to notify us of any changes to their personal financial situation.

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

Leal Financial Planning does provide to or accept compensation from any person for client referrals. Referrals to other professionals may be undertaken where appropriate to meet the client's needs. These situations are discussed below.

- Referrals to a certified public accountant or enrolled agent may be undertaken for preparation of the client's taxes. Leal Financial Planning is not tax return preparation firm and does not provide tax preparation services. The client's CPA/tax preparer will provide these services directly to the client, and the client is charged directly by the CPA/tax preparer in accordance with the client's agreement with that person or firm.
- Referrals to attorneys for legal advice and document preparation may be undertaken for preparation of any recommended estate planning documents, the implementation of various strategies relating to asset protection planning, legal document preparation relating to transactions involving closely held businesses and/or professional firms, and/or other similar services. Leal Financial Planning is not a law firm and does not provide legal services.

## **Item 15 – Custody**

Leal Financial Planning does not take custody of client cash, bank accounts or securities. The client's cash, bank accounts and securities will be maintained by unaffiliated, qualified custodians, such as banks, brokerage firms, mutual fund companies and transfer agents. The client will receive account statements directly from their service provider. These statements are typically provided on a monthly or quarterly basis or as account transactions occur.

We will not ask for, nor accept, any of the client's account access information, such as username and/or password, even for the accommodation of the client or the client's legal agent.

Firm personnel will not act as trustee for, or have full power of attorney over, a client account.

## **Item 16 – Investment Discretion**

Leal Financial Planning does not provide discretionary investment management services, so issues related to investment discretion are not applicable.

## **Item 17 – Voting Proxies**

Leal Financial Planning does not vote client securities. The client will maintain responsibility for directing the manner in which proxies are voted, as well as all other elections relative to mergers, acquisitions, tender offers or other events pertaining to the client's investments. The client will receive their proxies and other solicitations directly from the custodian or transfer agent for their investments.

## **Item 18 – Financial Information**

Due to the nature of our services, an audited balance sheet is not required, nor included in this disclosure document. Leal Financial Planning does not have any financial conditions that require further disclosure.

### **Part 2A Appendix 1 – Wrap Fee Program Brochure (Not Applicable)**

Leal Financial Planning does not sponsor a wrap fee program, so issues related to a wrap fee program are not applicable.

# Leal Financial Planning

A State of California Registered Investment Adviser

## Part 2B – Brochure Supplement (Advisory Personnel)

January 1, 2011



Karl Leal  
Principal

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## **Educational Background and Business Experience**

**Name:** Karl Leal

**Title:** Principal

### **Education:**

Accredited Asset Management Specialist<sup>SM</sup> Program - College for Financial Planning (2011)  
Accredited Domestic Partnership Advisor<sup>SM</sup> Program - College for Financial Planning (2011)  
Chartered Retirement Planning Counselor<sup>SM</sup> Program - College for Financial Planning (2011)  
Certificate, Personal Financial Planning – University of California Santa Cruz (2008-2009)  
Bachelor of Science, Business – San Jose State University (2003)

**Experience:** Principal – Leal Financial Planning (2010-Present)

## **Professional Designation Requirements**

### **Accredited Asset Management Specialist<sup>SM</sup> (AAMS<sup>®</sup>)**

**Education:** Individuals who hold the AAMS<sup>®</sup> designation have completed a course of study encompassing investments, insurance, tax, retirement, and estate planning issues. The program is designed for approximately 120-150 hours of self-study.

**Examination:** Individuals are required to pass an online, timed and proctored end-of-course examination with a 70% score or higher. The examination tests the individual's ability to relate complex concepts and apply theoretical concepts to real-life situations.

**Ethics:** Candidates must sign a code of ethics.

### **Accredited Domestic Partner Advisor<sup>SM</sup> (ADPA<sup>SM</sup>)**

**Education:** Individuals who hold the ADPA<sup>SM</sup> designation have completed a course of study encompassing wealth transfers, federal taxation, retirement planning and planning for financial and medical end-of-life needs for domestic partners. The program is designed for 80-100 hours of self-study and enrollment into the program requires the student to currently hold one of the following designations or certifications: CRPC<sup>®</sup>, AAMS<sup>®</sup>, AWMA<sup>®</sup>, APMA<sup>SM</sup>, CIMA<sup>®</sup>, ChFC, JD, CPA, CFA, or CFP<sup>®</sup>.

**Examination:** Individuals are required to pass an online, timed and proctored end-of-course examination with a 70% score or higher. The examination tests the individual's ability to relate complex concepts and apply theoretical concepts to real-life situations.

**Ethics:** Candidates must sign a code of ethics.

### **Chartered Retirement Planning Counselor<sup>SM</sup> (CRPC<sup>®</sup>)**

**Education:** Individuals who hold the CRPC<sup>®</sup> designation have completed a course of study encompassing pre-and post-retirement needs, asset management, estate planning and the entire retirement planning

process using models and techniques from real client situations. The program is designed for approximately 120-150 hours of self-study.

Examination: Individuals are required to pass an online, timed and proctored end-of-course examination with a 70% score or higher. The examination tests the individual's ability to relate complex concepts and apply theoretical concepts to real-life situations.

Ethics: Candidates must sign a code of ethics.

### **Disciplinary Information**

Neither Leal Financial Planning nor any of its personnel have been the subject of a reportable legal or disciplinary event.

### **Other Business Activities**

Karl Leal is a member of the Garrett Planning Network (Garrett), an organization that assists financial planners in fee-only financial planning practices. Garrett is not a registered financial industry participant, nor do its activities require it to be. Karl Leal pays an annual membership fee to Garrett for extensive services that include training, compliance and operational support to enhance our ability to provide quality service and advice to our clients.

Karl Leal is also a member of National Association of Personal Financial Advisors (NAPFA), the Financial Planning Association (FPA) and the Certified Financial Planner Board of Standards, Inc. Generally, participation in these entities requires membership fees to be paid, adherence to ethical guidelines, and meeting experiential and educational requirements.

Karl Leal acts as an ambassador for the Campbell Chamber of Commerce. It is the job of the ambassador to promote and enhance relations, community involvement, networking and membership in the Campbell Chamber of Commerce. He receives no compensation for the service.

Karl Leal writes a weekly article for the Campbell Express newspaper on financial planning topics. He receives no compensation for the service.

The above mentioned other business activities do not present material conflicts of interest for the financial planning and investment advice services that are provided by Karl as the Principal of Leal Financial Planning.

### **Additional Compensation**

Neither Leal Financial Planning nor any of its personnel accept or receive additional economic benefit (i.e. sales awards or other prizes) for providing advisory services to clients.

### **Supervision**

Karl Leal serves in multiple capacities for Leal Financial Planning including Principal and Financial Planner. There are no employees or supervised individuals.

Questions about Leal Financial Planning, its personnel, its services or this document may be posed to Karl Leal at 408-879-2328 or [Karl@lealfp.com](mailto:Karl@lealfp.com).