



## COMPREHENSIVE FINANCIAL PLANNING, INC.

### Part 2A of Form ADV: FIRM BROCHURE

3-25-04

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**This brochure provides information about the qualifications and business practices of Stan Johnson. Please contact Stan if you have any questions about the contents of this brochure. 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 Stan Johnson is available on the Internet at (site name tbd). You can search this site by a unique identifying number, know as a CRD number. The CRD number for Stan Johnson is 4717254.**

**Registration as a “Registered Investment Advisor” does not imply a certain level of skill or training.**

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## **1. Business Description**

Comprehensive Financial Planning provides the following services:

- Financial planning and consulting for individuals and small business owners including evaluation of current financial condition, retirement planning, tax planning and evaluating insurance and estate planning needs
- Portfolio reviews and investment management for individuals and pension plans

Our mission is to partner with clients to establish and achieve the client's financial goals through objective planning and management of investment assets. Our purpose is to help build, manage and preserve your wealth.

One way we achieve our purpose is to keep our costs and fees low. Comprehensive Financial Planning is a fee-only firm, meaning that we agree to restrict our compensation solely and exclusively to the professional fees we receive directly from our clients. We do not accept any sales commissions, referral fees or other forms of compensation from any third parties.

Before any agreement for performing services is executed a copy of this Part 2A-ADV form is provided to the client. The client is also sent a client preliminary questionnaire to assist in defining the scope of services and assuring the services provided are beneficial and appropriate for the client.

All information furnished by the client to Comprehensive Financial Planning shall be treated with the strictest confidence. We will not voluntarily disclose confidential information to 3<sup>rd</sup> parties without clients' prior consent unless required by law, court order or agency directive.

The business is owned 50% each by Stan Johnson and Abigail Johnson. Stan is the Principal and performs all financial consulting and investment management duties. Stan and the firm are registered with the State of Colorado as a Registered Investment Adviser. Abigail is the firm Controller and performs all accounting and administrative functions. The company was incorporated in the state of Colorado as an S Corporation on October 16, 2003. The firm is located in Durango, Colorado. We anticipate that roughly half of our business will be financial planning and half will be investment management.

### **A. Financial Planning Services**

Our financial planning services are tailored to the client's specific needs. All the services shown below can be provided either in a comprehensive financial plan or in a modular plan that addresses only specific areas.

1. Evaluate current financial condition. Produce balance sheet showing current assets and liabilities and generate a cash flow statement. Furnish recommendations on debt management, establishment of emergency fund, need for family budgeting and ideas for managing expenses.
2. Analyze retirement plan. Based on the client's goals, determine if current savings will be adequate to fund their retirement. If funds are not adequate, develop a savings plan to help them achieve their goals.
3. Help review or establish employee benefit plans including insurance and retirement plans.
4. Offer ideas for reducing income and other taxes.
5. Develop savings plan for specific need such as savings for college or purchase of business.
6. Review current insurance coverage and present ideas for improvement.
7. Ensure client goals will be attained pertaining to care for dependents, business interests and transfer of assets at death. Review wills, trusts, power of attorney's, asset titles and consults with client attorney to produce action plan.

Before the planning process starts the client will be required to fill out a Confidential Personal Financial Profile form detailing all pertinent client information. This information will form the basis for any recommendations made to the client.

In performing the above services other professionals that serve the client will be consulted such as accountant, lawyer and insurance agents. Comprehensive Financial Planning does not sell any financial products: we are a fee-only firm.

## **B. Investment Management Services**

Our services to a client can include financial planning services described previously and/or include investment management services as described below. Our services are offered to individuals and small businesses, including management of assets in pension plans, IRAs, profit sharing and other retirement plans.

If the client chooses to only use our investment management services the client will still be required to fill out the Confidential Personal Financial Profile form to ensure that our services provided are aligned with the client's financial condition, risk tolerance and goals.

Our investment management services fit into one of two categories:

- Portfolio review
- Investment advisory services

A portfolio review analyzes a client's current investments to ensure they are appropriate for the client's financial condition, risk tolerance and goals. This could be a one-time review or periodic reviews quarterly or annually as established with the client. Portfolio changes may be presented

along with specific investment alternatives. The client is free at all times to accept or reject any recommendations from Comprehensive Financial Planning, and the client acknowledges that he has sole authority for implementation. Comprehensive Financial Planning has no discretionary authority over client assets under these services.

Our investment advisory services are performed with Comprehensive Financial Planning having discretionary authority over the client's portfolio. All assets will be held by the client's custodian in one or more accounts. Comprehensive Financial Planning has no custody of client's assets, only trading authority.

We provide the client the benefit of our continuing study of economic conditions, securities markets and independent analysis of financial assets. After reviewing the Confidential Personal Financial Profile we work with the client to produce an Investment Policy Statement that documents the following information:

- Target risk-adjusted returns expressed in percent or relative to a given index on a before-tax or after-tax basis
- Risk tolerance and expected portfolio volatility
- Liquidity requirements (cash for emergency fund or specific need)
- Time horizon (short, intermediate or long-term)
- Laws and regulations (mostly just for retirement plans)
- Tax considerations (income, capital gains, estate)
- Unique client preferences and circumstances

We offer advice on or manage portfolios primarily with mutual funds and other publicly traded investment vehicles. The types of investments we manage include:

- Stock funds (domestic and foreign)
- Bond funds (corporate, government, high and low yield)
- Mortgage-backed securities
- Money-market funds
- Exchange traded funds (ETF's) and index funds
- Real estate investment trusts (REITS)
- Master limited partnerships (publicly traded)
- Individual issues of stocks and bonds

We limit advice or management of individual stocks to our most aggressive clients and limit advice or management of individual bond issues to our income orientated clients.

## 2. Fees and Compensation

Comprehensive Financial Planning is a fee-only firm. Whenever we recommend that the client own a specific financial product or use the services of a specific custodian we will not accept any sales commissions, referral fees, trail fees, prizes or other forms of compensation from any third parties. Gifts, meals or vacation trips received from product vendors or custodians in excess of \$100 shall not be accepted. This commitment to our clients will minimize any conflicts of interest we may have in dealing with product vendors, custodians and other professionals.

### A. Financial Planning and Portfolio Reviews

The fees for portfolio reviews are established with the client before work begins and are negotiable. Depending on the scope of the engagement, fees are either hourly or flat fee. If the scope of work can be determined with accuracy before the work begins a flat fee will be negotiated with the client based on the scope as defined in the written agreement with the client. The following shows the ranges of fees we charge for specific types of work.

<b>Basic Planning</b>	Balance Sheet/Cash Flow/Retirement Projection: \$800-\$1,200
<b>Standard Planning</b>	Basic + Insurance Review/Investment Analysis/ Multiple Retirement Scenarios/Basic Estate Planning: \$1,500-\$3,000.
<b>Advanced Planning</b>	Standard + Advanced Estate Planning/Business Evaluations/Special Situations: \$3,500-\$5,000.
<b>Portfolio Review</b>	Initial: \$300-\$600 Periodic Update: \$200-\$400
<b>401-K Allocations</b>	<b>\$200</b>
<b>College Savings</b>	<b>\$400</b>

We can also work under an hourly rate of \$150 per hour. Before the work begins an estimate of the hours required to perform the service will be provided to the client and included in the client agreement. No additional hourly charges for administrative support or other charges will apply unless approved by the client.

The client may also utilize our services under a retainer fee arrangement. A scope of services will be developed for the planner to provide comprehensive, ongoing financial planning for the client and will be charged an annual retainer fee that is agreed to by both parties.

Before the work begins a 25% deposit will be required under any of the fee structures above. If the agreement is terminated in writing by the client before the work is complete, a refund of a portion of the deposit may be available based upon the prorated fee due.

## B. Investment Advisory Services

The client is charged an annual management fee based on a percent of assets under management, billed quarterly, in advance. Fees are negotiable for special situations. The fee is based on the market value of the assets under management on the last business day of the previous quarter as follows:

<u>Assets Under Management</u>	<u>Annual Fee-%</u>	<u>Quarterly Fee-%</u>
Up to \$300,000	1.0	0.25
\$300,000 to \$600,000	0.8	0.20
\$600,000 and up	0.6	0.15
Fixed income portion if >50% of portfolio	0.5	0.125

There is no minimum account size required but there is a minimum quarterly fee of \$150. The management fee will be prorated for the initial quarter. Client fees are deducted directly from their investment accounts.

Clients should be aware they will be accessed fees from other parties in connection with our investment advisory services. These will include fees from the account custodian such as wire transfer fees and transaction costs when buying and selling securities and funds. The mutual funds purchased will also charge fees that may include front-end or back-end loads or sales charges, transaction cost fees and management fees. It is a high priority for us to minimize these fees. Refer to section 8 in this document for further detail on these fees.

## C. Potential Conflicts of Interest

While Comprehensive Financial Planning works hard to eliminate any conflicts of interest with our clients, some still exist. As a financial planner and an investment advisor we are compensated for advising clients on all their assets and also for all their invested assets under management as a percentage of the value of those assets. We might be tempted to encourage a client, for example, to sell personal assets or take out a home equity loan to increase the amount of assets under our management. We also may be tempted to recommend investments that are riskier than required to meet the client's target returns in an effort to increase the volume of funds under management. To address this we pledge to keep the client's interests above all others and to adhere to the Client's written investment policy statement and or Fiduciary Oath which presents the clients' informed decisions about the tradeoffs between risk and return.

### **3. Education and Business Background**

#### **Stan Johnson-Principal**

Born 1951

Registered Investment Advisor

Certified Financial Planner examination – Passed 11/2003

Uniform Investment Adviser Law Examination (Series 65) – Passed 11/2003

College for Financial Planning Certified Financial Planner Professional Education Program – Denver, Colorado – Completed 5/2003

University of Tulsa - Tulsa, Oklahoma – B.S. Chemical Engineering - 1973

#### **Recent Business Background and Affiliations**

Comprehensive Financial Planning, Inc.- Durango, Colorado- Principal – since 2003

Member of Financial Planning Association

San Juan Gas Processing, Inc. – Durango, Colorado- President and owner of engineering consulting company – 2000 to 2002

Veco Rocky Mountain – Durango, Colorado– Project Engineer and Project Manager for engineering company – 1997 to 2000

Morrison Knudsen Corporation – Denver, Colorado – Process Engineer for environmental engineering contractor – 1992-1997

#### **Abigail Johnson-Controller**

Born 1958

CPA State of Montana

University of New Mexico – Albuquerque, New Mexico – Accounting - 1991

College of Santa Fe – Santa Fe, New Mexico – Bachelor of Arts – 1984

#### **Recent Business Background and Affiliations**

Abigail Johnson, CPA – Accounting firm – 2002 to present

San Juan Gas Processing, Inc. – Controller for engineering consulting firm – 2000 to 2002

W. E. Kieding and Associates – Denver, Colorado – Controller for interior architectural firm – 1995 to 1997

America President Lines – Denver, Colorado – Financial Analyst for international shipping company – 1992 to 1995

### **4. Types of Clients**

We offer our services to individuals, small business owners and trusts. We have no account minimums but have a minimum quarterly fee of \$150 for portfolio management. We believe the flexibility of our service offering and fee structure enables moderate, as well as high wealth individuals and small business owners to utilize our services.

## 5. Methods of Analysis, Investment Strategies and Risk

The primary steps in our investment advisory process are:

- A. Establish realistic goals and assumptions with the client, making sure the client understands the trade-offs of risk and reward
- B. Develop a strategic asset allocation strategy that will establish approximate composition of asset classes in the portfolio
- C. Select mutual funds and other securities using our analysis of the funds, the markets and economic conditions
- D. Continually monitor the portfolios and make changes as fundamentals in the market or fund specific issues occur
- E. Issue a portfolio report at least quarterly to the client showing portfolio performance

The strategic asset allocation is developed using the target returns established by the client, the clients' time horizon and his tolerance for risk. Mathematical models are used to project the range of portfolio returns and volatility that may occur. We then use a heavy dose of judgment and, working with the client, set an asset allocation percentage range for each major asset class. The major asset classes include Large Cap, Small Cap, and International Equities, bonds, cash and real assets. The ranges of asset class composition set in the investment policy statement will be wide enough to accommodate any cyclical changes in the economy and the markets. The investment policy statement may also specify the minimum cash balance required in the portfolio to provide the client adequate liquidity. Cash balances over a set minimum requirement (approximately \$2,000) are invested in the custodian's money market fund.

After the strategic asset allocations are set the portfolio is managed to keep the actual portfolio allocation within the strategic ranges. Actual allocations are adjusted, or allowed to change as the market value of assets changes over time, based on or analysis of changing economic or market conditions. For example, if we see increasing risk in the bond market due to inflation and higher interests rates we may increase our allocation in the stock market to improve our performance.

We use primarily actively managed, no load, advisor class funds in our portfolios. For our more conservative portfolios we use index funds and ETFs to minimize fund expenses. Our more aggressive portfolios will have a mixture of growth and value funds. We believe in the long run growth and value styles will have about the same returns. Our focus is on the long term fund performance and the fund management team in place. We utilize a 3<sup>rd</sup> party advisory service that evaluates mutual fund performance and keeps track of any fund changes.

Managing risk is a top priority at Comprehensive Financial Planning. All investments are subject to risk from events outside anyone's control. We control risk by using several techniques. First, we use mutual funds and other publicly traded securities as opposed to individual securities. Second, we use effective diversification using the asset allocation strategies as described above. When picking individual funds we build a portfolio that includes an allocation of funds that don't always move with the rest of the market. These funds with low correlations to the market will reduce the portfolio volatility.

Most of our economic and market analysis could be classed as fundamental, analyzing market conditions such as earnings growth, movements in interest rates, etc. However, we also pay attention to market movements and other technical indicators to focus our attention on what the market may be trying to tell us. If market conditions deteriorate, we may employ hedging strategies such as buying bear funds that go up in value when the market goes down or short an index for some period of time. These hedging strategies are designed to reduce the risk of our existing portfolio, not to speculate using uncovered, leveraged investments.

## **6. Other Financial Industry Activities and Affiliations**

Comprehensive Financial Planning may associate with the clients' or other financial professionals (related persons) such as accountants, lawyers, insurance agents during the course of our work. We have no relationship that could present a conflict of interest for our clients. If we recommend or select other professionals for our clients we will not accept any compensation directly or indirectly from those professionals. We also do not offer compensation for any referrals that we may receive from other professionals.

Our firm controller Abigail Johnson also owns an accounting firm that offers accounting services for small businesses.

## **7. Participation or Interest in Client Transactions and Personal Trading**

The owners of Comprehensive Financial Planning will often trade in the same securities that are being traded for our clients. Quite often orders will be executed across many client portfolios and our personal portfolios at the same time. We believe in eating our own cooking. Note that Comprehensive Financial Planning has a potential conflict of interest here since the client and Comprehensive Financial Planning may be selling or buying the same asset at the same time. Since most of the securities held in our portfolios are in mutual funds or in securities widely held, we consider the impact on the markets of these trades to be negligible. Any orders where multiple client and our personal accounts are aggregated will be done so in compliance with the appropriate SEC requirements.

Records of all client trades and our personal trades will be maintained in accordance with the requirements of the Investment Advisers Act of 1940.

## **8. Brokerage Practices and Custody**

Unless it is agreed to otherwise, the client shall be required to maintain all investments under management with Ameritrade Inc. The client shall enter into a formal agreement with Comprehensive Financial Planning and a separate custodial/clearing agreement with Ameritrade.

Client will sign appropriate “Limited Powers of Attorney” or “Trading Authorizations” required by the custodian. Both agreements may authorize the custodian to debit the account for the amount of the Comprehensive Financial Planning investment management fee and to directly remit that fee to Comprehensive Financial Planning in accordance with applicable regulatory procedures.

Factors which we considered in choosing Ameritrade includes financial strength, reputation, execution, pricing and service. We believe, although we cannot guarantee in all cases, that Ameritrade has the most cost efficient solution for our clients. Their commissions and fees are lower than most other custodian/brokers. They have a network of over 2,200 mutual funds where no transaction fees will apply to purchase or sales. All accounts can be viewed 24/7 on their web site. They do not provide any significant research as part of their service which fits our business model since we use our own research and independent research purchased from independent sources.

Not all investment managers direct their client’s to execute transactions through a specified broker-dealer. By directing the client to do so may present some conflicts of interest. This could be due to compensation that is sometimes given to advisors for moving funds to a custodian. Our fee-only pledge to our clients prevents Comprehensive Financial Planning from receiving any form of compensation from the custodian or anyone other than our clients. If there are any referral fees, commission recaptures or other forms of rebates available due to the investments with the custodian, any funds recaptured will be distributed to the client.

## **9. Review of Accounts**

Under the investment advisory services the portfolios are monitored on an ongoing basis. At the least, monthly reviews are done evaluating rates of return, risk and adherence to the investment policy. Written quarterly reports are issued to the client and quarterly reviews in the office or over the phone are offered at no additional charge to the client. The quarterly reports show the value of each asset in the portfolio and rates of return using the Association of Investment Management and Research (AIMR) standards.

The client is required to keep Comprehensive Financial Planning informed of any changes to the client’s financial situation that may impact the suitability of the investment policy. Annually the client will be sent his client questionnaire to update all information and the investment policy statement will be updated. All portfolios are reviewed by Stan Johnson.

Reviews of financial planning and portfolio review clients (no investment management) are done at the client’s request.

## **10. Proxy Voting Policies**

Comprehensive Financial Planning does not vote client proxies. The client shall instruct the custodian of all assets to forward to the client copies of all proxies and shareholder

communications relating to the client's investments. Clients are always encouraged to contact Stan Johnson concerning questions about a particular proxy solicitation.

## **11. Privacy Statement**

Comprehensive Financial Planning, Inc. is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, your health, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. All your nonpublic information is secured on our computer system. No client information is kept in hard copy form. We employ a software firewall barrier and use secure data encryption techniques in our computer environment. We also restrict access to our computer system using secure login procedures.

We do not provide your personal information to mailing list vendors or solicitors.

We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter for records that are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this Privacy Statement to you annually, in writing.

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