

## L.J. Brey, Inc.

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January 23, 2020

This brochure provides information about the qualifications and business practices of L.J. Brey, Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

L.J. Brey, Inc. is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The verbal and written communications of an investment advisor provide you with information you need to determine whether to hire or retain the advisor.

Additional information about L.J. Brey, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## L.J. Brey, Inc.

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Our previous annual update was dated January 10, 2019. Following is a summary of the material changes made to Part 2 since that amendment.

**Item 4:**

**Please Note** -- L.J. Brey utilizes institutional funds such as Dimensional Fund Advisors mutual funds ("DFA"). Purchasing and custody of these funds are generally restricted to approved advisors and custodians. Thus if the client was to terminate our services and not hire a subsequent DFA-approved advisor, restrictions regarding additional purchases will generally apply. And transferring funds to a non-DFA-approved custodian will generally require liquidation of DFA funds in both taxable and tax-deferred accounts with associated investment and tax consequences.

*Assets Under Management:* As of December 31, 2019, we manage assets of \$88.4 million on a discretionary basis.

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## ITEM 4: ADVISORY BUSINESS

### Who we are

L.J. Brey, Inc. (referred to as “we,” “our,” “us,” or “L.J. Brey”), has been registered as an investment advisor since November 1996. Effective August 1, 2017, L.J. Brey Trust dated May 9, 1994, is our sole shareholder. Lesley J. Brey and Randall YM Kam are the trustees of the trust. Lesley Brey maintains sole responsibility for the management of the firm and all investment advice.

### Services we offer

We provide both initial and ongoing financial planning and investment management services on a *fee-only* basis. In the event the client determines to engage L.J. Brey on a *fee-only* basis, we shall charge a quarterly *fee* for financial planning and investment management services.

When preparing financial plans, we may review the following topics, as agreed with the client:

- Client Values, Goals, Resources and Constraints;
- Cash Flow and Budgeting as needed;
- Personal Balance Sheet;
- Emergency Planning/Insurance Options;
- Debt;
- Employer Benefits;
- Retirement/Financial Freedom Goals;
- Legacy/Estate Planning Goals;
- Tax Issues/Options;
- Investment Policy Support Plan

Investment Advisory services are focused on supporting the overall client plan. Implementation is primarily through research supported, institutional-class, disciplined, no load mutual funds. Example: Dimensional Fund Advisors family of funds.

**Please Note** -- L.J. Brey utilizes institutional funds such as Dimensional Fund Advisors mutual funds ("DFA"). Purchasing and custody of these funds are generally restricted to approved advisors and custodians. Thus if the client was to terminate our services and not hire a subsequent DFA-approved advisor, restrictions regarding additional purchases will generally apply. And transferring funds to a non-DFA-approved custodian will generally require liquidation of DFA funds in both taxable and tax-deferred accounts with associated investment and tax consequences.

Clients have their own values and goals in life. The recommended Investment Policy is tailored to support the client-specific goals, risk and volatility tolerances, cash flow needs and time frame, among other considerations. The Investment Policy is developed based on client input and is approved by the client prior to implementation. Client may impose restrictions on investments in certain securities or types of securities.

## Assets under management

As of December 31, 2019, we manage assets of \$88.4 million on a discretionary basis. We do not manage assets on a non-discretionary basis.

### **ITEM 5: FEES AND COMPENSATION**

#### Investment Management and Financial Planning

##### Advisory Fees & Billing Practices

We charge an asset-based fee for financial planning and investment management services. This fee, which would be around 0.69% on a \$2,000,000 account, is based on the market value of the assets under management in accordance with the following fee schedule.

<u>Value of Securities and Cash</u>	<u>Annual Fee Rate</u>
First \$500,000	1.00%
Next \$500,000	0.75%
Amounts over \$1,000,000	0.50%
Accounts over \$2.5 million	Flat 0.50%

Our annual fee shall be pro-rated and paid quarterly, in arrears, based upon the market value of the assets on the last day of the calendar quarter.

We generally require an initial account minimum of \$2,000,000 to commence an engagement. L.J. Brey, in its sole discretion, may charge a lesser management fee and/or accept a lesser account initial minimum, based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

For clients who receive investment management services without financial planning (typically friends and family), the following fee schedule applies.

<u>Value of Securities and Cash</u>	<u>Annual Fee Rate</u>
Under \$100,000	\$100
Over \$100,000 under \$250,000	\$500
Over \$250,000 under \$500,000	\$1,250
Over \$500,000	0.75%

Our annual fee shall be pro-rated and paid quarterly, in arrears, based upon the market value of the assets on the last day of the calendar quarter.

You may provide authorization for us to deduct our fees directly from your investment account. Important information about the deduction of management fees:

- Your authorization to allow us to deduct fees is contained in Section 2b or Section 3b of our contract.
- You will receive a detailed invoice each quarter which outlines our fees and how they are calculated at the same time we request payment from the custodian.
- You will receive a statement from your custodian which shows all transactions in the account and the current holdings.
- You are responsible for reviewing the accuracy of the fees being billed, as the custodian will not do so.

You may elect to pay by check rather than having payment deducted directly from your account.

You may terminate our advisory relationship by providing written notice. We will prorate the advisory fees earned through the termination date and send you an invoice for the advisory fees due.

#### Other Costs Involved

In addition to our advisory fee shown above, you are responsible for paying fees associated with investing for your account. These fees may include:

- management fees for ETFs and mutual funds. These are fees charged by the managers of the ETF or mutual fund and are a portion of the expenses of the ETF or mutual fund.
- brokerage costs and transaction fees for mutual fund, stock or bond trades as applicable. These are generally charged by your custodian and/or executing broker.

Additional information about brokerage costs and services is provided in “Item 12: Brokerage Practices.”

### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not receive performance fees for managing accounts.

### **ITEM 7: TYPES OF CLIENTS**

Our clients are individuals, couples and families with an interest in tying their resources and investments to their overall family, lifestyle, retirement and legacy goals.

Generally we require that you maintain \$2,000,000 under management with us. However, we may waive that minimum at our sole discretion.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Investment choices and portfolio allocations are based on academic research demonstrating the value of long-term focus for equity investments, broad diversification, low cost, and specific allocation choices that historically have been rewarded by capital markets over time.

Diversification, long-term holding periods for equity investments, rebalancing and understanding chosen investments are considered best fiduciary practices for portfolio stewards. There are no 'unusual' risks or frequent trading with this approach. In order for investors to extract market rates of return, they must be willing to bear compensated market risks. To the degree specific asset class investments are exposed to such market risks, volatility consistent with market movements should be expected.

The primary securities used are academically engineered, disciplined, broadly diversified mutual funds offered by Dimensional Fund Advisors designed to provide targeted asset class exposure. Beyond market risks there are no significant or unusual risks associated with these investments.

All investments involve different degrees of risk and volatility. You should be aware of your risk and volatility tolerance levels and financial situations at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of the investment advisor and each investment advisor representative providing investment advice to you. We have no information of this type to report.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As a registered investment advisor, we are required to disclose when L.J. Brey or our principal has any other financial industry affiliations. There are no affiliations of this type to disclose.

L.J. Brey has entered into an agreement with Merriman Wealth Management, LLC that would provide succession coverage for clients in the event of the death or disability of Lesley Brey. Additional details regarding this arrangement are provided in Item 19.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

We have adopted a set of enforceable guidelines (Code of Ethics), which describes unacceptable conduct by L.J. Brey and our associated persons. Summarized, this Code of Ethics prohibits us from:

- placing our interests before yours,
- using non public information gathered when providing services to you for our own gains, or

- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

Please contact us if you would like to receive a full copy of this Code of Ethics.

## Personal Trading for Associated Persons

We may buy or sell some of same securities for you that we already hold in our personal account. We may also buy for our personal account some of the same securities that you already hold in your account. It is our policy not to permit our associated persons (or their immediate relatives) to trade in a way that takes advantage of price movements caused by your transactions.

We may restrict trading for a particular security for our accounts or those of our associated person if there is a pending trade in that security in a client account. Trades for our accounts (and those of our associated persons) will be placed after client trades have been completed. When our trades are placed after our client trades, we may receive a better or worse price than that received by the client.

All persons associated with us are required to report all personal securities transactions to us quarterly.

## ITEM 12: BROKERAGE PRACTICES

### The Custodian and Brokers We Use

We do not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see “Item 15: Custody”). Your assets must be maintained in an account at a “qualified custodian,” generally a broker/dealer or bank. We request that our clients use Charles Schwab & Co., Inc. (“Schwab”), a registered broker/dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we request that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we will assist in completing the appropriate paperwork as requested.

### How We Select Brokers/Custodians

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)



- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.)
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us From Schwab*”)

## Your Brokerage and Custody Costs

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

## Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide L.J. Brey and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us.

### Services That Benefit You.

Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

### Services That May Not Directly Benefit You.

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution

- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

#### Services That Generally Benefit Only Us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

#### Soft Dollars

“Soft dollars” are typically generated when an investment advisor enters into an agreement with an executing broker to receive a portion of the commissions generated by the advisor's client trades. The soft dollars are allocated to the investment advisor and can then be used to purchase items or services. The investment advisor has a fiduciary duty to its clients to obtain best execution, on an overall basis, for any securities transactions.

We do not use soft dollars as described above. The SEC recently changed the wording of certain questions on the Form ADV and has indirectly changed the definition of soft dollars. Due to the new wording, the receipt of goods and/or services from a third party in connection with providing advice to clients could be seen as “soft dollars.” The additional services we receive from Schwab, as disclosed in the section entitled “Products and Services Available to Us From Schwab” above, would fall under this description of soft dollars.

### **ITEM 13: REVIEW OF ACCOUNTS**

For investment management clients, a monthly review of current status relative to Investment Policy and cash flow needs is done. These clients receive a quarterly report disclosing overall investment performance since inception and allocation relative to their Investment Policy.

Financial plans are reviewed at least annually and updated to reflect current circumstances.

All reviews are performed by Lesley J. Brey, CFP, CFA, AIF, President.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are

described above (see “Item 12: Brokerage Practices”). The availability to us of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

We do not directly or indirectly compensate anyone for client referrals.

## **ITEM 15: CUSTODY**

If you give us authority to deduct our fees directly from your separately managed account, we have custody of those assets. In order to avoid additional regulatory requirements in these cases, we follow the procedures outlined in “Item 5: Fees and Compensation.” You will also receive quarterly statements directly from custodian of the account that details all transactions in the account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab’s account statements to the periodic portfolio reports you will receive from us. For accounts where the client has a standing letter of authorization that allows us to transfer money between accounts specified by the client, we are also deemed to have custody. At no time do we have physical custody of any client assets.

## **ITEM 16: INVESTMENT DISCRETION**

As one of the conditions of managing your account, you are required to provide discretionary authority for us to manage your assets. Discretionary authority means that you are giving us a limited power of attorney to place trades on your behalf. This limited power of attorney does not allow us to withdraw money from your account, other than advisory fees if you agree to give us that authority.

You grant us discretionary authority by completing the following items:

- Sign a contract with us that provides a limited power of attorney for us to place trades on your behalf. Any limitations to the trading authorization will be added to this agreement.
- Provide us with discretionary authority on the new account forms that are submitted to the broker/dealer acting as custodian for your account(s).

Clients may not place limitations on our discretionary authority.

## **ITEM 17: VOTING CLIENT SECURITIES**

We do not accept the authority to vote proxies on your behalf and we do not provide guidance about how to vote proxies. You will receive proxies and other related paperwork directly from your custodian.

## **ITEM 18: FINANCIAL INFORMATION**

We do not charge or solicit pre-payment of more than \$500 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.

## **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISORS**

### **Principal Executive Officers and Management Persons**

Our principal executive officer is Lesley Brey. Additional information regarding Ms. Brey's education and business background is provided on Part 2B.

Neither L.J. Brey nor any management person has been involved in any of the items listed below.

- An award or otherwise being found liable in an arbitration claim.
- An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding.

### **Business Continuity and Succession Plan**

As a fiduciary, L.J. Brey, Inc. has certain legal obligations, including the obligation to act in clients' best interest. L.J. Brey, Inc. maintains a Business Continuity Plan and seeks to avoid a disruption of service to clients in the event of an unforeseen loss of key personnel due to disability or death. To that end, L.J. Brey, Inc. has entered into an agreement (the "Succession Agreement") with Merriman Wealth Management, LLC ("Merriman") that is intended to provide succession coverage for L.J. Brey, Inc.'s clients in the event of the death or disability of Lesley J. Brey, President of L.J. Brey, Inc.

In the case of Lesley's death or disability, L.J. Brey, Inc.'s clients will receive contact from Merriman, Schwab, and/or Lesley's executor notifying them of those circumstances. Subject to the terms and conditions of the Succession Agreement, each client could decide to consent to Merriman continuing to provide fiduciary planning and investment advisory services for that client (as described below), or could elect to conduct a search to select a new advisor. L.J. Brey, Inc.'s clients have no obligation to work with Merriman.

As a solo practitioner, Lesley has spent time researching "disaster" options to increase the chances that L.J. Brey, Inc.'s clients will be cared for should her ability to serve meet an unexpected disruption. In her opinion, Merriman's approach and philosophy is similar to that of L.J. Brey, Inc., and would be an appropriate alternative to L.J. Brey, Inc. if necessary.

Should the Succession Agreement between L.J. Brey, Inc. and Merriman be "triggered," subject to its terms and conditions, existing L.J. Brey, Inc. clients would be notified in writing and would be able to accept Merriman's services by signing a consent form.

The Succession Agreement was effective June 29, 2017 and is cancellable with appropriate notice by L.J. Brey, Inc. or Lesley or, in certain circumstances, by Merriman. L.J. Brey, Inc. can provide additional information to any current or prospective client upon request to Lesley J. Brey, President, at (808) 526-2644 or info@ljbreyinc.com.

**BROCHURE SUPPLEMENT**  
**ITEM 1: COVER SHEET**

Lesley J. Brey

L.J. Brey, Inc.  
321 Halaki Street  
Honolulu, HI 96821  
(808) 526-2644

January 23, 2020

This Brochure Supplement provides information about Lesley J. Brey that supplements the L.J. Brey, Inc. Brochure. You should have received a copy of that Brochure. Please contact Lesley J. Brey, President at (808) 526-2644 or [ljbrey@ljbreyinc.com](mailto:ljbrey@ljbreyinc.com) if you did not receive L.J. Brey, Inc.'s Brochure or if you have any questions about the content of this supplement.

Additional information about Lesley J. Brey is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

Lesley J. Brey was born in 1959.

**Educational Background**

<u>School Name</u>	<u>Degree</u>	<u>Year</u>	<u>Major(s)</u>
Pomona College	BA	1981	Mathematics
Stanford University	MSCE	1984	Civil Engineering
Chaminade University	MBA	1988	Business Administration

**Employment Background**

Employment Dates: 10/1996 - Present  
Firm Name: L.J. Brey, Inc.  
Type of Business: Investment Adviser  
Job Title & Duties: Fee Only Financial Planner and Investment Advisory

## Professional Designations

Chartered Financial Analyst (CFA) – 1999  
Certified Financial Planner (CFP) – 2000  
NAPFA-Registered Financial Advisor 2000  
Accredited Investment Fiduciary® (AIF®) – 2007

The CFA Charterholder designation is issued by the CFA Institute. In order to receive this designation, a candidate must have either: 1) an undergraduate degree and 4 years of professional experience involving investment decision-making, or 2) 4 years qualified work experience (full time, but not necessarily investment related). Each candidate must complete a self-study program of 250 hours of study for each of the 3 levels. Once a candidate passes each of the three 6-hour exams and meets the appropriate experience requirements the CFA charterholder designation may be used. There are no continuing education requirements.

The CFP designation is issued by the Certified Financial Planner Board of Standards, Inc. In order to receive a CFP designation, the candidate must have a bachelor's degree or higher from an accredited college or university and have 3 years of full-time personal financial planning experience. In addition, the candidate must complete a CFP board-registered program or hold one of the following: CPA, ChFC, Chartered Life Underwriter(CLU), CFA, Ph.D. in business or economics, Doctor of Business Administration or attorney's license. Once the designation is earned, the CFP must complete 30 hours of continuing education every 2 years.

The NAPFA-Registered Financial Advisor designation is issued by the National Association of Personal Financial Advisors (NAPFA). In order to receive this designation, the candidate must hold the CFP or CPA/PFS designation, sign NAPFA's fiduciary oath, receive compensation solely from the clients (Fee-Only), submit a financial plan for peer review, have a bachelor's degree or higher from an accredited college or university and have a minimum of 3 years of full-time personal financial planning experience. Once the designation is earned, the NAPFA-Registered Financial Advisor must complete 60 hours of continuing education every 2 years including required continuing education hours in six core planning areas and ethics.

The AIF designation certifies that the recipient has specialized knowledge of fiduciary standards of care and their application to the investment management process. To receive the AIF designation, individuals must complete a training program, successfully pass a comprehensive, closed-book final examination under the supervision of a proctor and agree to abide by the AIF Code of Ethics. In order to maintain the AIF designation, the individual must annually renew their affirmation of the AIF Code of Ethics and complete six hours of continuing education credits. The certification is administered by the Center for Fiduciary Studies, LLC (a Fiduciary360 (fi360) company).

### **ITEM 3: DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of each investment advisor representative providing investment advice to you. There is no information of this type to report.

**ITEM 4: OTHER BUSINESS ACTIVITIES**

Ms. Brey is not involved in any other business activities.

**ITEM 5: ADDITIONAL COMPENSATION**

Ms. Brey does not receive any economic benefit from any non-client for providing advisory services.

**ITEM 6: SUPERVISION**

Ms. Brey, President, is responsible for the supervision of all investment personnel. Her telephone number is (808) 526-2644.

**ITEM 7: REQUIREMENTS FOR STATE-REGISTERED ADVISORS**

Investment advisors who are registered with a state regulatory agency rather than the SEC are required to provide information about a wider range of disciplinary information than that described above. Ms. Brey has not filed for personal bankruptcy and has no disciplinary information to report.