

## Client Relationship Summary

January 17, 2022

### **Item 1. Introduction.**

Capital Financial Services, LLC is a Registered Investment Advisor registered with the SEC. We are not a broker-dealer. Brokerage and investment advisory services and fees differ and it is important for the retail investor to understand the differences. Simple and free tools are available to research firms and financial professionals at [Investor.gov/CRS](http://Investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisors, and investing. Below, underlined, are some ‘conversation starters’, which you should discuss with us.

### **Item 2. What investment services and advice can you provide me?**

We offer investment advisory services, financial planning services, and income tax preparation services to retail clients. Our investment advisory services are available as direct management, where we buy and sell investments inside the client’s account using a limited power of attorney. In this situation, we have discretion on what to buy and sell without consulting with our clients. We continually monitor these assets, keeping in mind the client’s cash flow needs, goals, and risk tolerance. If you require special limitations, such as a need to avoid certain companies due to your role as an insider or a regulator, we will take this into account. If we provide investment recommendations on an hourly basis, the client makes the ultimate decision regarding the purchase or sale of investments. The client is responsible for implementing and monitoring the recommendations. We don’t sell any products, and we do not use wrap fee programs. We do not offer or make available any proprietary products. We don’t have any particular account minimums, although accounts under \$20,000 are typically better off in mutual funds, and in that situation, we would encourage our clients to handle that account themselves, perhaps with our guidance. More details can be found in our Firm Brochure, available from us for the asking, or on the SEC website. If we are providing investment advisory services, we typically include most financial planning at no additional cost because we believe that understanding the client’s financial goals is key to developing a good investment strategy. Rarely we may need to charge for special projects, such as a complicated employee stock option strategy or an employee’s business. Financial planning for clients we don’t manage investments for is billed hourly, typically with a contract specifying the amount expected to be billed prior to starting work. We also do a substantial number of tax returns for clients; these are always billed separately.

### **Given my financial situation, should I choose an investment advisory service? Why or why not?**

You should choose an investment advisory service if you have investments that need to be managed. If your assets are all in a 401k, for example, where the choices are extremely limited, you probably don’t need an investment advisory service. If you wish to handle your investments yourself, you don’t need an investment advisory service. (You could hire us by the hour to review your choices and make recommendations, which a number of our clients currently do). You should talk to us about this!

### **Conversation Starters: questions to start a conversation about our services. These will vary by client or the advisor you work with.**

#### **How will you choose investments to recommend to me?**

#### **What is your relevant experience, including licenses, education, and other qualifications?**

#### **What do these qualifications mean?**

### **Item 3. Fees, Costs, Conflicts. What fees will I pay?**

For this service we bill on a quarterly basis, the amount varying by the total of the assets we manage for each client. For totals under \$1 million the fee is ¼% of the balance at the end of the quarter. For totals between \$1 million and \$5 million the fee is 3/16% of the balance at the end of the quarter. For totals over \$5 million the fee is 1/8% of the balance at the end of the quarter. We do not have a minimum account size, but it rarely makes sense for us to manage an account smaller than \$20,000. For all other services, we bill at an hourly rate, currently \$240 an hour.

Since we are paid based on the assets we manage, the more assets we manage the more you will pay. We may therefore have an incentive to encourage you to increase the assets in your accounts with us. Other fees you may pay include those charged by the custodian (broker) of your assets. Currently, the commissions on equity (stock) trades and most mutual funds is zero. For stock sales there is a minimal fee charged by the SEC, which typically runs under 25 cents total. Some mutual funds may be subject to a commission for purchase. Also, bond purchases are typically subject to a \$25 commission. You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. For accounts we are managing directly, there are no start up fees, and typically no commissions for the purchase of securities for your account, so on an initial investment of \$10,000 the entire amount would be invested for you. Going forward, the account would be billed, 1% per year, \$100 a year for continual monitoring and investment management in this example of a \$10,000 account.

**What are your legal obligations to me when providing recommendations, how else does our firm make money, and what conflicts of interest do we have?**

When we act as your investment advisor, we have to act in your best interest and not put our interest ahead of yours. We are required to act as fiduciaries. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are some examples to help you understand what this means. Some typical conflicts which do NOT apply to us are selling proprietary products, receiving third party payments for recommendations, revenue sharing with third parties, and principal trading (where you buy or sell investments directly from us). The major conflict of interest we have is that the more money you invest with us the more money we make. Examples would revolve around such questions as, Should I pay down my mortgage? Should I give money to (children, relatives, charities)? Should I roll my retirement plan in to an IRA that you manage? We point these out as they arise, and also explain why we think the recommendation we are making is the best choice for you. You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. We don't get any sales commissions or referral fees.

**How do our financial professionals make money?**

Everyone working here is paid either by the hour or a salary. There is a profit-sharing bonus paid annually to each employee based on how well the firm does financially, and the owner receives the profits after all other expenses are paid. However, there is no compensation paid based on specific transactions or clients. The only potential conflict of interest is that the more money the firm makes the better the employees do, but taking good care of our clients is the best way for us to achieve success.

**Item 4. Disciplinary History**

**Do you or your financial professionals have legal or disciplinary history?** No.

You may visit [Investor.gov/CRS](http://Investor.gov/CRS) for a free and simple search tool to research us and our financial professionals.

**Item 5. Additional Information**

You can find out more at our web site, [www.capitalfinancialservicesllc.com](http://www.capitalfinancialservicesllc.com).

You can request a copy of our Client Relationship Summary from us by phone at (518) 399-3903, by emailing us at [info@capitalfinancialservicesllc.com](mailto:info@capitalfinancialservicesllc.com), or it is available at our web site above.

Each of our clients has a primary contact person, one of the (currently three) financial planning professionals who work here. However, we try to have two people in every meeting with a client, and you may work with different professionals depending on your specific needs. Examples would be working with an Enrolled Agent for tax issues, working with an insurance specialist for insurance issues, and working with an investment professional for investment issues. If you ever have a concern about the way someone from Capital Financial Services, LLC is treating you, please contact the owner, William C. Jerome. He can be reached by phone at the office (518) 399-3903, or his personal email address which is [bill@capitalfinancialservicesllc.com](mailto:bill@capitalfinancialservicesllc.com).