

Item 1 - Cover Page

# Phelps Financial Advisors

Nicholas H. Phelps, CFP®, owner & sole proprietor

925 W. College Ave  
State College, PA 16801

phone - (814) 380-0651

fax - (814) 689-3343

[nick@phelps-financial.com](mailto:nick@phelps-financial.com)

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This Brochure provides information about the qualifications and business practices of Phelps Financial Advisors. If you have any questions about the contents of this Brochure, please contact us at [nick@phelps-financial.com](mailto:nick@phelps-financial.com) or (814) 861-6377. 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.

Phelps Financial Advisors is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about Phelps Financial Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2 - Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated July 27, 2011 is a new document prepared according to the SEC’s new requirements and rules. Phelps Financial Advisors is a new investment adviser and this is the first filing.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Nicholas H. Phelps, owner, at [nick@phelps-financial.com](mailto:nick@phelps-financial.com) or (814) 861-6377.

Additional information about Phelps Financial Advisors is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4 - Advisory Business**

### **A. Firm Information**

Phelps Financial Advisors is a new registered investment advisor, which submitted its first filing for registration in July 2011. Nicholas H. Phelps, CFP® is sole proprietor and 100% owner, doing business as Phelps Financial Advisors..

### **B. Advisory Services**

Phelps Financial Advisors is a fee-only advisor that is compensated solely by the client in the form of hourly and/or fixed fees. Phelps Financial Advisors offers comprehensive financial planning services.

Financial plans incorporate all or some of the following areas, as applicable or desired by the client: risk management / insurance, college funding, retirement planning, tax & estate planning in regards to investment selection and management, and cash flow analysis.

Phelps Financial Advisors will review a client's existing insurance policies in detail and make recommendations of necessary coverage changes or policy changes if the client has a risk that is not covered.

Phelps Financial Advisors will review a client's current investments and portfolio by comparing them to applicable sector benchmarks and considering the expenses of each investment. Phelps Financial Advisors will provide portfolio analysis for a variety of investments, such as mutual funds, equity securities, municipal securities, US government securities, corporate debt securities, certificates of deposit, and variable life and annuity contracts, by looking at each investment individually and the portfolio as a whole, including real estate when applicable. Fundamental analysis is used in evaluating a security. Information is obtained from financial publications and websites, third-party research, annual reports and prospectuses, and company press releases.

Investment recommendations are based on strategic asset allocation, which takes into consideration the client's risk tolerance and time horizon. No-load, low-cost mutual funds are recommended when designing new portfolios. Securities recommendations are based on a long-term, buy & hold, investment strategy. Phelps Financial Advisors does not recommend securities for short-term time frames.

The client is free to use any broker of their choosing to implement recommendations made by Phelps Financial Advisors. If desired, Phelps Financial Advisors will assist the client in implementing recommendations, including recommending brokers, custodians, agents, or service providers. As a fee-only adviser, Phelps Financial Advisors does not sell any investments or insurance products. Phelps Financial Advisors and Nicholas H. Phelps do not accept any commissions or compensation from any third-party, and are not affiliated with any broker/dealer.

Phelps Financial Advisors has a goal of meeting at least annually with each client to review and update the financial plan, including changes in the client's financial goals, risk tolerance, and financial condition.

### **C. Customization of Financial Plan**

Phelps Financial Advisors creates customized financial plans for each client, based on their objectives

and risk tolerance. Client planning objectives and risk tolerance are determined by questionnaire and discussion at the initial meeting, where information is also collected about the client's current financial situation, including insurance policies, investments, income, and cash flow. The financial plan and investment advice offered by Phelps Financial Advisors is based on this information. Clients can choose to focus only on certain planning areas if a comprehensive plan is not desired. If desired by the client, certain securities or types of securities can be excluded from any recommendations.

#### **D. Wrap Fee programs**

Phelps Financial Advisors does not participate in wrap fee programs.

#### **E. Asset Management**

Phelps Financial Advisors does not take discretionary authority, and does not provide continuous management services to securities portfolios. Phelps Financial Advisors does not accept custody of client funds or securities.

### **Item 5 - Fees and Compensation**

All fees are subject to negotiation.

#### **A. Fees for Advisory Services**

Phelps Financial Advisors is a fee-only planner and is compensated solely by the client in the form of hourly fees and/or fixed fees. Phelps Financial Advisors offers hourly services at a rate of \$175 / hour, and retainer or fixed-fee basis ranging from \$400 to \$4,000 depending on the nature and complexity of the clients' circumstances.

#### **B. Fee Billing**

The specific manner in which fees are charged by Phelps Financial Advisors is established in a client's written agreement with Phelps Financial Advisors. Clients are billed for fees incurred. Phelps Financial Advisors does not deduct fees from client accounts.

#### **C. Other Fees and Expenses**

Phelps Financial Advisors' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to Phelps Financial Advisors' fee, and Phelps Financial Advisors shall not receive any portion of these commissions, fees, and costs.

#### **D. Advance payment and Contract Termination**

Phelps Financial Advisors will bill its annual retainer fees on a quarterly basis, in advance of each calendar quarter. Upon termination of any client agreement, any prepaid, unearned fees will be promptly refunded; and any earned, unpaid fees will be due and payable.

Phelps Financial Advisors bills at the end of the month for any hourly or non-retainer fixed fees earned during that month.

### **E. Compensation**

Neither Phelps Financial Advisors nor Nicholas H. Phelps accept compensation for the sale of securities or other investment products.

Phelps Financial Advisors recommends no-load, low-cost mutual funds when making investment recommendations.

Clients are free to use any broker of their choosing to implement recommendations made by Phelps Financial Advisors. Item 12 further describes the factors that Phelps Financial Advisors considers in selecting or recommending broker-dealers for client transactions.

### **Item 6 - Performance-based fees and Side-By-Side Management**

Phelps Financial Advisors does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 - Types of Clients**

Phelps Financial Advisors provides investment advisory and financial planning services to individuals and families, high net worth individuals, and small business owners. Phelps Financial Advisors does not have any account minimums or similar criteria for its clients. The decision on whether to work together is made mutually during an initial interview, where it is determined whether the services offered by Phelps Financial Advisors are desired and of value to the client.

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

#### **A. Methods of Analysis**

Phelps Financial Advisors employs fundamental analysis in developing investment recommendations for clients. Analysis and recommendations from Phelps Financial Advisors is based on information that is obtained from prospectuses, annual reports, third-party research, financial media, and Internet sources.

Phelps Financial Advisors makes recommendations based upon a long-term investment strategy, in accordance with the client's risk tolerance and financial goals. Phelps Financial Advisors does not recommend securities or variable investments for short-term investing.

Phelps Financial Advisors makes investment portfolio recommendations using strategic asset allocation, taking into account time horizon, client risk tolerance, and investment expenses. Phelps Financial Advisors generally recommends a buy-and-hold strategy with periodic reviews to gauge performance

relative to benchmarks, re-balance as needed, and make changes as needed based upon changes in the client's financial condition or goals.

## **B. Investment Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. Securities may fluctuate in value or lose value. Phelps Financial Advisors will assist clients in creating an appropriate investment strategy based on their risk tolerance and other factors, as noted. However, there is no guarantee that a client will meet their investment goals. Past performance is not a guarantee of future results.

## **C. Mutual Fund Risks**

Phelps Financial Advisors primarily recommends mutual funds for investment recommendations. Mutual funds have risks, such as:

- Stock market risk, which is the chance that stock market prices overall will decline.
- Manager risk, which is the chance that the selected securities will underperform relevant benchmarks or other similar funds.
- Investment style risk, which is the chance that returns from a given asset class category (such as large-cap stocks or long-term bonds) will trail returns from another asset class category or the overall stock market. Each asset class category tends to go through cycles of doing either better or worse than the stock market in general.
- Index mutual funds are subject to index sampling risk, which is the risk that securities chosen for the fund will not match the performance of the target index.
- Mutual funds that hold bonds are subject to bond risks, including: interest rate risk, which is the risk that rising interest rates will cause bond prices to fall; income risk, which is the risk that falling interest rates will cause the fund's income to decline; credit risk, which is the risk that the bond issuer will fail to make interest or principal payments.
- Funds that invest internationally are subject to unique risks, such as: currency risk, which is the chance that the value of a foreign investment will decrease due to changes in exchange rates; emerging markets risk, which is the likelihood that the stocks of companies located in emerging markets will be more volatile and less liquid than the stocks of companies located in developed markets; regional risk, which is the chance that world events will have a negative impact on the value of securities issued by companies in foreign countries.

## **Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Phelps Financial Advisors or the integrity of Phelps Financial Advisors' management. Phelps Financial Advisors has no information applicable to this Item. There are no legal, regulatory, or disciplinary events involving Phelps Financial Advisors or Nicholas H. Phelps.

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

Neither Phelps Financial Advisors nor Nicholas H. Phelps is affiliated with any brokers or brokers-dealers, insurance companies or agents, or other advisors. Phelps Financial Advisors and Nicholas H. Phelps are compensated solely by client-paid fees as a fee-only planner.

## **Item 11 – Code of Ethics**

### **A. Code of Ethics**

Phelps Financial Advisors has adopted a Code of Ethics describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. Phelps Financial Advisors clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Nicholas H. Phelps at [nick@phelps-financial.com](mailto:nick@phelps-financial.com).

### **B. Personal Trading and Conflicts of Interest**

Phelps Financial Advisors anticipates a small chance that in appropriate circumstances consistent with clients' investment objectives, it will recommend to investment advisory clients the purchase or sale of securities in which Nicholas H. Phelps has a position of interest. Subject to satisfying this code of ethics and applicable laws, Phelps Financial Advisors' 100% owner Nicholas H. Phelps may trade for his own accounts in securities which are recommended to Phelps Financial Advisors' clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of Nicholas H. Phelps will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing investing for his own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Phelps Financial Advisors' clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit Nicholas H. Phelps to invest in the same securities as clients, there is a possibility that he might benefit from market activity by a client in a security held by him. This would present a conflict of interest. Nicholas H. Phelps anticipates this situation to be very infrequent, because he invests for his own account primarily in open-end mutual funds for which he does not act as an investment adviser. These are not reportable securities and do not present a conflict of interest.

Any conflicts of interest that may arise will be disclosed to the client. Nicholas H. Phelps will not transact in any security to the detriment of any client.



## **Item 12 – Brokerage Practices**

### **A. Recommendations of Broker-Dealers**

Clients are free to implement any investment recommendations made by Phelps Financial Advisors through any broker of the client's choosing. If desired by the client, Phelps Financial Advisors will assist a client in implementing recommendations, including recommending a broker-dealer or custodian. When recommending a broker or custodian, Phelps Financial Advisors will take into consideration factors such as the reasonableness of fees or commissions charged by the broker or custodian to the client, and services offered by the broker or custodian.

- Phelps Financial Advisors does not receive any referral fees, commissions, compensation, research, or other 'soft-dollar' benefits from any broker-dealer or third-party. As a fee-only planner, Phelps Financial Advisors is compensated solely by client-paid fees.
- Phelps Financial Advisors does not receive any client referrals or other benefits from any broker-dealers.
- Phelps Financial Advisors does not routinely recommend a specified broker-dealer.

### **B. Purchase or Sale of Securities**

Phelps Financial Advisors does not take discretionary authority and does not offer continuous portfolio management services. Phelps Financial Advisors does not have the opportunity to aggregate trade order for various clients.

## **Item 13 – Review of Accounts**

### **A. Frequency of Reviews**

Phelps Financial Advisors and Nicholas H. Phelps encourages clients to meet with him at least annually (more often if desired by the client) to review the financial plan, including investment accounts. At this meeting the financial plan is revisited and updated to reflect changes in the client's financial situation or planning objectives, if applicable. Investment accounts are reviewed, and changes or rebalancing will be recommended based on analysis described in Item 8.

### **B. Causes For Reviews**

Changes in the clients financial condition or goals may trigger the need for a review, and clients are encouraged to notify Phelps Financial Advisors of any changes.

### **C. Reports**

Phelps Financial Advisors provides a written financial plan to clients, including investment analysis and recommendations. This financial plan is updated at each annual review, or more often if desired by the client. Clients can receive a hard-copy or a digital copy of the financial plan. Phelps Financial Advisors will provide a written summary of all client contacts in the form of a letter, summarizing the meeting.

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

### **A. Other Compensation**

Phelps Financial Advisors does not accept commissions, compensation, or receive any economic benefit from any third-party. Phelps Financial Advisors is compensated solely by the client, in the form of fees.

### **B. Client Referrals**

Phelps Financial Advisors does not pay or receive any compensation or economic benefit in respect to client referrals, and does not pay finders fees or use paid solicitors.

## **Item 15 – *Custody***

Clients should receive quarterly statements from the broker dealer, bank, or other qualified custodian that holds and maintains client's investment assets. Phelps Financial Advisors urges its clients to carefully review such statements and compare such official custodial records to the planning documents that we may provide to you. Our statements and balance sheets may vary from custodial statements, based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – *Investment Discretion***

Phelps Financial Advisors does not take discretionary authority in any client account.

## **Item 17 - *Voting Client Securities***

As a matter of firm policy and practice, Phelps Financial Advisors does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive their proxies directly from their custodian. If desired by the client, Phelps Financial Advisors may provide advice to clients regarding the clients' voting of proxies.

## **Item 18 – *Financial Information***

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Phelps Financial Advisors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Phelps Financial Advisors does not have discretionary authority or custody of clients' funds, and does not require prepayment of client fees six months or more in advance.

## **Item 19 – Requirements for State-Registered Advisers**

### **A. Educational Background and Business Experience of Owner**

Nicholas H. Phelps is 100% owner and sole proprietor. He was born in 1980 and graduated from Penn State University with a Bachelor of Science in Economics in 2003. Mr. Phelps previous employment history is as follows:

- Registered Representative, Nationwide Securities LLC 01/2006 - 07/2011
- Associate Agent, Nationwide Insurance 01/2006 - 07/2011
- Registered Representative, MML Investors Services Inc 01/2004 - 12/2006

Nicholas H. Phelps is a CERTIFIED FINANCIAL PLANNER™ professional.. The CFP® certification is granted to an individual who has demonstrated a level of financial planning technical knowledge through education requirements and comprehensive examination, met experience requirements, passed an ethics review, and agreed to abide by a strict code of professional conduct.

### **B. Other Business Activities**

Phelps Financial Advisors and Nicholas H. Phelps is a fee-only advisor that is dedicated entirely to giving investment advice and creating comprehensive financial plans as described in Item 4. He does not participate in any business activities other than his advisory business.

### **C. Performance-based Fees**

Phelps Financial Advisors does not charge performance-based fees.

### **D. Disciplinary Information**

There are no disciplinary events to disclose regarding Phelps Financial Advisors or Nicholas H. Phelps. Neither Phelps Financial Advisors nor Nicholas H. Phelps have ever been involved in any regulatory action or been the subject of a client complaint.

### **E. Relationships with issuers of securities**

Phelps Financial Advisors and Nicholas H. Phelps do not have any relationship or arrangement with any issuer of securities.