

# **Cornerstone Financial Management LLC**

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**[www.cornerstonefm.com](http://www.cornerstonefm.com)**

## **Firm Brochure**

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Cornerstone Financial Management LLC. If you have any questions about the contents of this brochure, please contact us at (781) 229-5809 or by email at [moreinfo@cornerstonefm.com](mailto:moreinfo@cornerstonefm.com). 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 Cornerstone Financial Management LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Cornerstone Financial Management LLC is a Registered Investment Advisor with the Securities Division of the Commonwealth of Massachusetts. Such registration does not imply any specific or minimum level of skill or training. You may contact the Massachusetts Securities Division at (617) 727-3548.

March 30, 2020

## **Item 2: Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes Since the Last Update**

This brochure, dated March 30, 2020, is an update to our previously issued brochure dated March 30, 2019.

There have been no material changes to the services offered or the fees charged to clients since the last update on March 30, 2019.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (781) 229-5809 or by email at: [moreinfo@cornerstonefm.com](mailto:moreinfo@cornerstonefm.com).

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## **Item 4: Advisory Business**

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### **Firm Description**

Cornerstone Financial Management LLC (hereinafter referred to as Cornerstone) was founded by Theodore Yoos in 2006. Cornerstone is registered with the Securities Division of the Commonwealth of Massachusetts as a Registered Investment Advisor.

Cornerstone provides personal financial planning, investment management, and tax preparation and planning services to individuals, families, fiduciaries and their related entities (trusts and estates), and charitable organizations. Cornerstone believes that client success and satisfaction are built on a foundation of trust that is achieved through a long-term relationship and continuing open and honest communication with its clients.

Advice and recommendations are provided through meetings and communication with each client and may include identification of financial goals and objectives, investment portfolio design and recommendations, retirement planning, estate and gift planning, income tax planning, saving and paying for education expenses, insurance policy reviews, employee benefit reviews, and cash flow and balance sheet analysis.

Cornerstone is a fee-only financial planning and investment management firm. As a firm providing fee-only financial services, Cornerstone's sole source of compensation is the fees paid by clients directly to the firm. Cornerstone does not accept commissions in any form for the purchase of annuities, insurance policies, stocks, bonds, mutual funds, exchange-traded funds and notes, limited partnerships, or any other commissioned financial products. Cornerstone is not affiliated with entities or organizations that sell financial products or securities. Cornerstone also does not accept referral fees or "finder's fees" from any source.

Cornerstone may recommend other professionals to clients such as lawyers, accountants, tax professionals, insurance agents, real estate agents, etc. at the request of the client. These other professionals are engaged directly by the client even when recommended by Cornerstone.

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### **Principal Owners**

Theodore Yoos is the sole principal and managing member. He owns 100% of Cornerstone. There are no subsidiaries or parent companies of Cornerstone.

## **Types of Advisory Services**

### Personal Financial Planning Services

Cornerstone provides customized personal financial planning services in the following areas:

- Investment Portfolio Asset Allocation and Investment Recommendations
- Investment and Tax Strategies for Stock Options and Restricted Stock
- Income Tax Planning
- Retirement Planning
- Estate and Gift Planning
- Charitable Gift Planning
- Saving and Paying for Education Expenses
- Insurance Policy Reviews
- Employee Benefit Reviews
- Cash Flow Planning and Debt Management

New clients are encouraged to have a comprehensive personal financial plan prepared at the beginning of their relationship with Cornerstone. A comprehensive personal financial plan covers all of the areas listed above. At its sole discretion, Cornerstone may provide personal financial planning recommendations for only those areas listed above that are relevant to the client's situation. Periodic updates to a client's personal financial plan are prepared at the request of the client or as changing client circumstances warrant.

Implementation of the personal financial planning recommendations is not included in Personal Financial Planning Services. Clients desiring implementation of their personal financial planning recommendations may engage Cornerstone to do so through Investment Management Services.

### Investment Management Services

Cornerstone provides discretionary Investment Management Services to clients by designing, implementing, and providing continuous management of tax-efficient, globally diversified investment portfolios that are consistent with each client's long-term financial goals and the client's level of comfort with investment risk. At the end of each calendar year, Cornerstone will prepare a financial report for each client that typically includes the client's net worth, investment portfolio asset allocation, and investment performance for various trailing time periods. More frequent investment performance reports may be generated as appropriate or as requested by the client.

Discretionary Investment Management Services also include assistance with the implementation of each client's personal financial planning recommendations, and ongoing financial planning analysis and recommendations. An annual meeting, telephone communication and support, and email communication are also included.

Cornerstone's policy is to have each Investment Management Services client grant it limited trading authority to place orders for securities transactions with the broker(s) that serve as custodian(s) for each client's discretionary investment accounts.

### Investment Consulting Services

At the discretion of Cornerstone, certain clients may receive non-discretionary Investment Consulting Services in addition to discretionary Investment Management Services. Investment Consulting Services include an analysis of the client's non-discretionary investment accounts, and investment recommendations for those accounts. Clients receiving non-discretionary Investment Consulting Services are solely responsible for the implementation of all investment recommendations, and do not receive any investment performance reports for the client's non-discretionary investment accounts.

### Tax Preparation and Consulting Services

Cornerstone provides federal and state income tax preparation services for select clients that also receive Investment Management or Investment Consulting Services. Cornerstone also provides income tax planning and consulting services for clients that receive Investment Management Services, and who wish to minimize and/or manage their income tax liability.

Each client must enter into a written agreement with Cornerstone outlining the type and scope of services they are engaging Cornerstone to provide to them, and the fees that will be paid to Cornerstone for those services. No services will be provided, and no work by Cornerstone will commence, without the execution of a written agreement by both the client and Cornerstone.

### Client Assets Managed

As of December 31, 2019, Cornerstone provided investment services for 52 clients with approximately \$61,624,500 of total investment assets in 234 accounts.

Cornerstone provided discretionary Investment Management Services on approximately \$47,487,900 of investment assets in approximately 176 accounts. Cornerstone also provided non-discretionary Investment Consulting Services on approximately \$14,136,600 of investment assets in approximately 58 accounts.

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### **Tailored Services**

Cornerstone's services are customized to the specific needs and goals of each client. The financial goals and objectives for each client are clarified during meetings and through written, telephonic, and electronic communication. The client's goals and objectives are documented in their electronic files and/or in hard copy.

Clients may request restrictions on investing in certain securities or types of securities. To the extent possible, Cornerstone will attempt to accommodate these requested restrictions. These restrictions will be documented in a written agreement signed by the client and Cornerstone. Written agreements may not be assigned without the consent of all parties to the agreement.

## Item 5: Fees and Compensation

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### Description

Cornerstone's sole source of compensation is the fees paid by clients directly to the firm for Personal Financial Planning, Investment Management, Investment Consulting, and Tax Preparation and Consulting Services. Cornerstone does not accept commissions based on a client's purchase of any financial product. Cornerstone also does not accept referral fees or "finder's fees" from any source.

### Fees for Personal Financial Planning Services

Comprehensive Personal Financial Planning Services are usually billed on a fixed-fee basis that is mutually agreed on by the client and Cornerstone prior to the commencement of work. Fees for a comprehensive personal financial plan are usually in the range of \$2,500 - \$5,000 and average approximately \$4,000, but may be higher or lower depending on the complexity of the analysis and recommendations required or requested by the client. At the discretion of Cornerstone, a deposit for Personal Financial Planning Services may be requested prior to the commencement of work, with the balance due upon completion and delivery of the personal financial plan to the client. If the client decides to cancel the preparation of their personal financial plan prior to its completion, then the fee for Personal Financial Planning Services will be calculated on an "hours actually worked" basis using a fee rate of \$250 per hour.

Personal Financial Planning Services covering specific and discrete areas may be provided at the sole discretion of Cornerstone. The fee for discrete Personal Financial Planning Services will be billed at a rate of \$250 per hour.

### Fees for Investment Management Services

The fee for discretionary Investment Management Services is based on the total discretionary investment assets under management and is calculated as follows:

1.00% per year on discretionary investment assets between \$0 and \$500,000, plus  
0.75% per year on discretionary investment assets between \$500,000 and \$1,000,000, plus  
0.50% per year on discretionary investment assets between \$1,000,000 and \$3,000,000, plus  
0.40% per year on discretionary investment assets greater than \$3,000,000

The fee is calculated based on the value of the discretionary investment assets at the close of the prior calendar quarter. For example, the fee for the calendar quarter from January 1, 2020 through March 31, 2020 is based on the total value of the discretionary investment assets as of December 31, 2019, or the last day the U.S. securities markets are open for business prior to December 31, 2019.

In lieu of the above fee schedule based on discretionary assets under management, the client and Cornerstone may mutually agree to a fixed annual fee for discretionary Investment Management Services.

The minimum quarterly fee for discretionary Investment Management Services is \$1,250. This effectively results in a minimum annual fee of \$5,000 if the client is subject to the minimum quarterly fee for a full year. For clients with discretionary investment portfolios valued at less than \$500,000, the minimum quarterly fee will result in an effective annual fee rate of greater than 1.00%.

Fees for Investment Management Services are charged quarterly in advance and are deducted directly from a designated investment account to facilitate billing. The client must consent in advance to have their fee for Investment Management Services deducted directly from their investment account or make other arrangements for payment of fees that are acceptable to Cornerstone.

Either the client or Cornerstone may terminate discretionary investment management services at any time with a minimum of 30 days advance written notice. Fees paid in advance beyond the date of termination of services will be refunded on a pro-rata basis. Any fees not billed at the time of termination of services will be calculated and billed on a pro-rata basis through the date of termination of services.

Fees for Investment Management Services may be negotiable at the discretion of Cornerstone. In its sole discretion, Cornerstone may charge a different minimum fee and/or charge a lower Investment Management Services fee based upon certain criteria (e.g., historical relationship, type and value of assets managed, anticipated future earning capacity, anticipated future additional assets, related accounts, account composition, negotiations with clients, etc.).

#### Fees for Investment Consulting Services

Fees for non-discretionary Investment Consulting Services are billed at a rate of \$250 per hour, or a fixed-fee amount that is mutually agreed upon by the client and Cornerstone in advance.

Cornerstone may, in its sole discretion, offer discounts on fees for Investment Consulting Services to family members of employees, clients that have had a long-term professional relationship with Cornerstone, and family members of long-term clients of Cornerstone.

Fees for Investment Consulting Services are billed on a quarterly or annual basis as agreed to by the client and Cornerstone. Investment Consulting Services fees for a one-time discrete project are typically billed at the conclusion of the project when the recommendations or other advice are delivered to a client. At the discretion of the client, fees for Investment Consulting Services may be deducted directly from a designated investment account to facilitate billing.

#### Fees for Tax Preparation and Consulting Services

Fees for Tax Preparation Services are calculated based on the forms and schedules necessary to prepare a complete and accurate tax return. In addition, a fee of \$175 per hour will be charged for Tax Consulting Services, or any tax research or extraordinary computations that are required to prepare any tax return or tax projection.

All fees for Tax Preparation and Consulting Services are billed when the tax return, tax projection, or tax recommendation is delivered to the client. At the discretion of the client, fees for Tax Preparation and Consulting Services may be deducted directly from a designated investment account to facilitate billing.

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### **Other Fees**

Independent custodians may charge transaction fees on the purchase and/or sale of certain mutual funds, exchange-traded funds, or other securities. These transaction costs are usually small and incidental to the purchase or sale of a security. In general, the selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

A transaction fee may be incurred in order to buy a less expensive share class of a mutual fund or exchange-traded fund so that the client's total investment cost over time will be much lower than buying a more expensive share class of the same fund that does not charge a transaction fee.

Transaction fees charged by the independent custodian for securities purchased or sold in client accounts are separate from, and in addition to, fees for Investment Management Services and/or Investment Consulting Services provided by Cornerstone. Cornerstone does not receive any income from transaction fees charged by independent custodians.

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### **Expense Ratios**

Mutual funds and exchange-traded funds generally charge a management fee for their services as investment managers. In addition, there are additional operating expenses incurred in the ongoing operation of a mutual fund or exchange-traded fund. The sum of the annual management fee and operating expenses are called the annual expense ratio. For example, an expense ratio of 0.75 means that the fund company charges 0.75% of the value of the investment in the fund for their services each year. Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Management fees and operating expenses charged to shareholders of a mutual fund or exchange-traded fund are separate from, and in addition to, fees for Investment Management Services and/or Investment Consulting Services provided by Cornerstone. Cornerstone does not receive any income from management fees or operating expenses charged by fund companies.

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### **Past Due Accounts and Termination of Services**

Cornerstone reserves the right to stop work for any client whose fee is more than 90 days past due. In addition, Cornerstone reserves the right to terminate any client relationship for any of the aforementioned services when, in Cornerstone's sole judgment, the client has willfully concealed or has refused to provide pertinent information about their financial situation when necessary and appropriate to providing proper financial advice, recommendations, or service. Cornerstone may terminate any of the aforementioned services at any time by notifying the client. Any unused portion of fees collected in advance will be refunded within 30 days.

Either the client or Cornerstone may terminate discretionary Investment Management Services at any time by giving the other party at least 30 (thirty) days notice in advance of such termination. Cornerstone will not accept any account liquidation instructions unless provided in writing by the client. Any fees paid in advance beyond the date of termination of services will be refunded on a pro-rata basis to the date of termination specified in the notice of termination. Refunds will be paid within 30 days of the date of termination. Any fees not billed at the time of notification of termination will be calculated and billed on a pro-rata basis through the date of termination of services. Fees billed after the notification of termination of services are due within 30 days of the date of termination of services.

A client may terminate Personal Financial Planning, Investment Consulting, or Tax Preparation and Consulting Services at any time by notifying Cornerstone and paying the balance due at the agreed upon fee rate then in effect for any unbilled time spent on Personal Financial Planning, Investment Consulting, or Tax Preparation and Consulting Services prior to Cornerstone's receipt of the notification of termination.

Neither Cornerstone nor a client may assign any written agreement without the consent of the other party. Both parties must acknowledge and agree that transactions that do not result in a change of actual control or management shall not be considered an assignment of any agreement.

If the client is a natural person, their death, disability, or incompetence will not terminate or change the terms of service or the fees due to Cornerstone. The executor, guardian, attorney-in-fact, or other authorized representative of a client may terminate Personal Financial Planning, Investment Management, Investment Consulting, or Tax Preparation and Consulting Services by providing notice to Cornerstone.

## **Item 6: Performance-Based Fees**

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### **Sharing of Capital Gains**

Cornerstone does not employ a performance-based fee structure because of the potential conflict of interest it presents. Performance-based compensation may create an incentive for Cornerstone to recommend investments that may carry a higher degree of risk to the client in order to generate higher returns.

The nature of asset-based fees for Investment Management Services allows Cornerstone to participate in the growth of the value of our client's investment portfolios. Asset-based fees also can decline when there is a decline in the value of our clients' investment portfolios.

## **Item 7: Types of Clients**

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### **Description**

Cornerstone provides services to individuals, families, fiduciaries and their related entities (trusts and estates), and charitable organizations. Client relationships vary in scope and length of service.

## **Account Minimums**

The minimum portfolio size for Investment Management Services is \$500,000 of discretionary investment assets under management, which equates to an annual fee of \$5,000 and a quarterly fee of \$1,250. If the value of a client's discretionary investment portfolio is less than \$500,000 on the valuation date for computing the fee, a minimum quarterly fee of \$1,250 will apply. If the client is subject to the minimum quarterly fee for a full year, the minimum annual fee will be \$5,000. For Investment Management Services clients with discretionary investment portfolios valued at less than \$500,000, the minimum quarterly fee will result in an effective annual fee rate of greater than 1.00%.

At its sole discretion, Cornerstone may waive or reduce the minimum portfolio size and the minimum annual (quarterly) fee. Portfolios with less than \$500,000 of discretionary investment assets may be accepted when the client and Cornerstone anticipate the client will add additional funds to their discretionary account(s) bringing the total portfolio value above \$500,000 within a reasonable period of time. Other exceptions may apply to future employees of Cornerstone and their relatives, or relatives of existing clients.

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

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### **Methods of Analysis**

Security analysis methods may include fundamental analysis, technical analysis, and cyclical analysis. Cornerstone uses primarily no-load or load-waived mutual funds, and exchange-traded funds, for client portfolios.

The main sources of investment information include newspapers, financial or trade magazines, prospectuses, annual or more frequent shareholder reports, research materials prepared by others, corporate rating services, inspections of corporate activities, filings with the Securities and Exchange Commission, and company press releases. Other sources of information that Cornerstone may use include Morningstar's Advisor Workstation database, premium services available on Morningstar's web site, Standard & Poor's reports, the Value Line Investment Survey, Advisor Intelligence, investment newsletters, and the World Wide Web. Theodore Yoos also frequently attends professional meetings and conferences, and participates on conference calls and webinars where investment managers make presentations and discuss their investment strategies.

### **Investment Strategies**

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The primary investment strategy used on client accounts is strategic asset allocation. Cornerstone tends to recommend the long-term purchase of passively-managed index and exchange-traded funds as core investments, and then add actively-managed mutual funds, exchange-traded funds, and other investments where we believe there are opportunities to increase portfolio returns and/or reduce portfolio risk and volatility. Portfolios are globally diversified to control the risk associated with developed and less developed markets.

Cornerstone may also utilize unrelated third-party investment managers at a client's request that specialize in certain investments beyond the scope of Cornerstone's expertise.

Other strategies may include tactical asset allocation, or short-term purchases and sales of mutual funds or exchange-traded funds, when Cornerstone believes that market values have diverged significantly from the fundamental or intrinsic value of the asset class or specific investment.

Cornerstone generally does not recommend and implement investment strategies involving short sales, margin transactions, and option writing (including covered options, uncovered (naked) options and options spread strategies). These strategies will generally only be used or implemented at the request of a client. However, Cornerstone may recommend mutual funds or exchange-traded funds that employ these strategies in the management of the fund's investment portfolio if Cornerstone believes the fund's investment objectives are consistent with the client's overall investment portfolio goals and objectives.

The investment strategy for a specific client is based upon that client's specific financial objectives, tax situation, income needs, and comfort level with investment risk as revealed during meetings and correspondence with the client. The client may change their objectives and investment strategy at any time. Each client signs an Investment Policy Statement that documents their objectives and their desired investment strategy. The investment portfolio designed and constructed for each client is unique to that client's circumstances and preferences.

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## **Risk of Loss**

All investment strategies have risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. All investors face the following investment risks:

- **Market Risk:** The price of a security (individual stock or bond, mutual fund, or exchange-traded fund) may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social events or conditions may trigger a drop in the price of a security.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders or investors are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are generally not.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil and gas exploration companies depend on finding oil or natural gas and then transporting it to a refinery or processing facility, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric utility, which generates its income from a steady stream of customers who buy electricity generally regardless of the economic environment.
- **Financial Risk:** Excessive borrowing to finance the operations of a business increases the risk of reduced profitability or loss because the company must meet the terms of its obligations and liabilities in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in a declining market value and/or bankruptcy.

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, usually causing the market value of the existing bonds to decline.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This risk primarily relates to fixed income securities.
- **Inflation Risk:** When inflation is present, a dollar next year will not buy as much as a dollar today, because purchasing power is being eroded at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the U.S. dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

## **Item 9: Disciplinary Information**

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### **Legal and Disciplinary**

Cornerstone and its employee have not been involved in any legal or disciplinary events related to current or past clients.

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

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### **Financial Industry Activities**

Cornerstone does not participate in any other financial industry business activities.

### **Affiliations**

Cornerstone does not have any arrangements that are material to its advisory business or its clients with a related person who is a:

- Broker-dealer, municipal securities dealer, government securities dealer or broker
- Investment company or other pooled investment vehicle
- Other investment advisor or financial planner
- Commodity pool operator, commodity trading adviser or futures commission merchant
- Banking or thrift institution
- Accountant or accounting firm
- Lawyer or law firm
- Insurance company or agency
- Pension consultant
- Real estate broker or dealer
- An entity that creates or packages limited partnerships.

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

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### **Code of Ethics**

The employees of Cornerstone have committed themselves to the Code of Ethics and a Fiduciary Oath as put forth by the CFP® Board of Standards and the Financial Planning Association (FPA). The major features of these standards are putting the interest of clients first, honesty and integrity, objectivity, competence, fairness, confidentiality, professionalism, prudence and diligence in all activities, and full disclosure of all important and relevant facts and information. Cornerstone seeks to avoid conflicts of interest where possible, and to fully disclose to clients any unavoidable conflicts. Cornerstone will provide a copy of the Code of Ethics and the Fiduciary Oath referred to above to any client or prospective client upon request.

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### **Participation or Interest in Client Transactions**

In most cases, Cornerstone recommends the purchase or sale of open-end and closed-end mutual funds, exchange-traded funds, and no-load annuities for client investment portfolios. Normally, Cornerstone does not recommend the purchase of individual equity or fixed income securities. Cornerstone may recommend the sale of existing individual securities held in client accounts, or the gifting of existing individual securities to individuals or charitable organizations. Employees of Cornerstone may buy or sell securities that are also owned by clients. In most instances, employees of Cornerstone buy or sell the same mutual funds and exchange-traded funds that are recommended for the investment portfolios of our clients.

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### **Personal Trading**

Employees of Cornerstone may not trade individual stocks or bonds for their own portfolio ahead of client trades. If an employee wishes to buy or sell an individual equity or fixed income security that has been traded on behalf of a client, then the employee must wait for a minimum of one business day after the completion of the trade for the client before executing the employee's trade. The ownership of securities by Cornerstone and its employees is kept on file and is available to clients upon request.

Theodore Yoos is responsible for monitoring his own trading given the structure of Cornerstone as a single owner LLC. In most instances, he makes relatively small purchases or sales of open-end or closed-end mutual funds and exchange-traded funds, which do not offer opportunities to affect the market price of a security or give him preferential treatment over clients of Cornerstone. On occasion, he may purchase or sell small amounts of individual equity securities for his personal account, and when doing so he will always wait a minimum of one business day after the completion of any individual equity trade in the identical security for any client.

## **Item 12: Brokerage Practices**

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### **Selecting Brokerage Firms**

Cornerstone does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. Cornerstone recommends custodians based on the proven integrity and financial responsibility of the firm, best execution of orders at reasonable commission rates, and the quality of client service. Cornerstone generally recommends discount brokerage firms and trust companies (qualified custodians), such as National Financial Services LLC and Fidelity Brokerage Services LLC (hereinafter referred to as “Fidelity”) and The Vanguard Group (hereinafter referred to as “Vanguard”).

Cornerstone has an arrangement with Fidelity through which Fidelity provides Cornerstone with “institutional platform services” such as brokerage, custody and other related services that facilitate the discretionary management of investment accounts and portfolios for clients. Fidelity’s institutional platform services include software and other technology that provide access to client account data such as account statements, trade confirmations, and tax documents, and facilitate trade execution. Fidelity’s services also facilitate the payment of fees from its clients’ accounts and assist with back-office functions such as recordkeeping and client reporting.

Cornerstone may also benefit from other services provided by custodians such as investment research (developed by the custodian or by third parties and supplied through the custodian), securities prices, financial market data and news, continuing education via conferences, roundtables and webinars, and practice management resources and advice. These benefits are standard in a relationship with these custodians and are not in return for client recommendations or transactions. Cornerstone does not receive any fees or revenues from any of these custodial arrangements. Cornerstone is independently owned and operated and is not affiliated with Fidelity or Vanguard.

The client approves the choice of custodian to be used and the transaction fees and/or brokerage commission rates paid to the custodian. Cornerstone does not receive any portion of the transaction fees or brokerage commissions paid by the client to the custodian for any securities transactions. The fees charged to clients by the custodian are exclusive of, and in addition to, the fees paid to Cornerstone by clients for Investment Management or Investment Consulting Services.

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### **Best Execution**

Cornerstone is authorized by each client of Investment Management Services to give instructions to the qualified custodian of their assets with respect to all investment decisions. The qualified custodian is authorized and directed to execute transactions, deliver securities, make payments and take such actions as Cornerstone directs in connection with our obligations to the client. Cornerstone shall not be responsible for any loss incurred by reason of any act or omission of any custodian.

Cornerstone requires each client to direct brokerage to the qualified custodian which they have chosen for their management accounts. In choosing a qualified custodian, the determinative factor is not the lowest possible transaction fee or commission cost but whether the qualified custodian offers the best qualitative execution, taking into consideration the full range of the qualified custodian's services including the value of research provided, execution capability, transaction or commission costs, and responsiveness. Accordingly, although Cornerstone will seek competitive commission rates, we may not necessarily obtain the lowest possible commission rates for client transactions. Therefore, a client may pay the qualified custodian a greater commission than another qualified custodian might charge to execute the same transaction where Cornerstone determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

Cornerstone generally reviews the execution of all trades and other transactions at Fidelity on a daily basis, and at Vanguard on at least a monthly basis. We shall endeavor to process all account transactions in a timely manner, but we do not represent or warrant that any such transaction shall be processed or executed by the custodian on the same day as requested.

Transaction fees and brokerage commission rates charged by the custodians are reviewed on an annual basis. Cornerstone does not receive any portion of the transaction fees or brokerage commissions charged by custodians.

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### **Soft Dollars**

Fidelity provides Cornerstone with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934. However, Cornerstone does not receive or accept any monetary compensation or credits from any custodian that we recommend to clients.

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### **Directed Brokerage and Order Aggregation**

Cornerstone does not direct brokerage for specific client transactions. In addition, Cornerstone typically does not aggregate trade orders for different client accounts because trade order aggregation for mutual funds or exchange-traded funds generally does not garner any financial or other direct benefits for clients.

## **Item 13: Review of Accounts**

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### **Periodic Reviews**

Portfolio reviews are typically performed at least annually by Theodore Yoos. Portfolio or individual account reviews may be performed more frequently when market conditions dictate, the client deposits or withdraws significant assets from the portfolio, or at the request of a client.

## **Review Triggers**

Other events that may trigger a portfolio review are significant changes in the financial markets, new investment information, changes in tax laws or other legal developments, and changes in a client's personal situation or financial circumstances.

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## **Regular Reports**

Investment Management Services clients typically receive an annual written financial report that includes their estimated net worth, portfolio asset allocation, and security holdings. If portfolio rebalancing or changes to portfolio holdings are recommended, those are also included in the financial report. More frequent written financial reports may be generated as appropriate or as requested by the client.

In addition, Theodore Yoos writes an economic and financial markets update for Cornerstone which is sent to all Investment Management Services clients. This letter includes his observations and thoughts on the U.S. and global economy, as well as the financial markets. In addition, he may include in the letter recent news regarding changes in tax laws, other legislation, or financial developments that may be of interest or have an impact on our clients. He may also communicate recent developments in the financial markets, tax laws, or other changes to clients by email.

Clients receiving Investment Consulting Services receive a written report when their non-discretionary investment accounts are reviewed and changes are recommended. Annual reviews are usually recommended for non-discretionary investment accounts. Clients receiving Investment Consulting Services do not receive investment performance reports for their non-discretionary investment accounts.

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

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### **Incoming Referrals**

Cornerstone has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants and tax professionals, employees, personal friends of employees and other similar sources. The firm does not provide any compensation for referrals.

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### **Referrals to Other Professionals**

Cornerstone does not accept referral fees or any form of remuneration from other professionals when a client or a prospective client is referred by Cornerstone to them.

## **Item 15: Custody**

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### **SEC “Custody”**

According to a ruling by the U.S. Securities and Exchange Commission (SEC), investment advisors are deemed to have “custody” of client assets if certain conditions are met. In these situations, the SEC requires independent verification of the client assets by an annual surprise audit performed by an independent CPA firm. Cornerstone would be considered to have “custody” of certain types of accounts, such as when an employee acts as a trustee of an unrelated trust or as the personal representative of an estate, and Cornerstone acts as the investment adviser to that trust or estate. As of the date of this firm brochure, Cornerstone does not have custody of any client assets. If and when Cornerstone has such custody, it intends to comply with those SEC requirements.

The Securities Division of the Commonwealth of Massachusetts (“the Division”) waives the requirement for independent verification of custodial assets in instances of the deduction of an advisory fee directly from a client’s account, where the only sign of custody is an adviser’s withdrawal of advisory fees directly from clients’ accounts, provided the adviser meets the following requirements: 1) the advisor has written authorization from the client to deduct advisory fees from the account held with the qualified custodian and 2) the advisor sends the qualified custodian and the client an invoice or statement of the amount of the fee to be deducted from the client’s account each time a fee is directly deducted.

Cornerstone debits fees for Investment Management Services directly from client accounts. At the specific request of a client, Cornerstone will also debit fees for Personal Financial Planning Services, Investment Advisory Services, or Tax Preparation and Consulting Services directly from client accounts. As part of the billing process, the client is sent an invoice showing the calculation of the fee for Investment Management Services, or other services, that is to be deducted from the client’s account. In addition, the client’s custodian is advised of the amount of the fee to be deducted from that client’s account. The custodian does not calculate the fee to be deducted from any client’s account, nor does the custodian verify the accuracy of the calculation of the fee by Cornerstone. Because the custodian does not calculate or verify the accuracy of the calculation of the fee, it is important for each client to carefully review the fee invoice that is sent to them to verify the accuracy of the calculation of the fee to be deducted from their account.

On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the client’s accounts during the reporting period. It is important for clients to also carefully review their account statements from their custodian to verify the accuracy of the amount of the fee that was debited from their account.

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### **Account Statements**

All assets are held at qualified custodians. Each custodian mails account statements directly to the client at their address of record at least quarterly, and in most cases monthly. Clients are encouraged to carefully review the statements provided by their custodian(s).

## **Statements and Reports Provided by Cornerstone**

From time to time, clients are given investment portfolio statements, net worth statements and other reports and graphs that are generated by Cornerstone. Net worth statements contain estimates and approximations provided by the client of their bank account balances, real estate, land, tangible personal property, and other assets and liabilities. These statements, reports, and graphs are used for long-term financial planning and estate planning where the exact values of assets are not material to the financial planning tasks.

In some cases, the book value or acquisition cost of illiquid or difficult to price assets are used in place of estimated market values. These values are reviewed whenever supplemental information related to the valuation of the asset is received.

Clients are urged to compare the statements and reports received from Cornerstone with the statements received directly from their custodians to ensure accuracy.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

Cornerstone accepts discretionary authority to manage investment accounts on behalf of our clients of Investment Management Services. Cornerstone has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. If discretionary authority or a limited power of attorney has not been granted by the client, Cornerstone consults with the client prior to each trade to obtain agreement. Discretionary trading authority facilitates placing trades in clients' accounts on their behalf so that Cornerstone may implement the investment policy that the client has approved. In many cases, clients are provided with an opportunity to review and discuss proposed changes in their investment portfolio prior to the implementation of the recommendations.

### **Limited Power of Attorney**

Clients must sign a limited power of attorney before Cornerstone is given discretionary authority over the Client's account(s). The limited power of attorney is included in the qualified custodian's account application for Fidelity. For accounts not custodied at Fidelity, clients usually sign a separate limited power of attorney document provided by the qualified custodian giving discretionary trading authority to Cornerstone.

## **Item 17: Voting Client Securities**

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### **Proxy Votes**

Cornerstone does not vote proxies on behalf of its clients. Clients will always receive their proxies or other solicitations directly from their custodian or a transfer agent acting on behalf of

the custodian. If a client has questions or requests advice from Cornerstone regarding proxy issues or solicitations, they may contact Cornerstone by telephone or in writing, including by email. Cornerstone may offer advice and recommendations to a client that has questions or requests advice regarding a proxy issue or solicitation. If an employee of Cornerstone has a conflict of interest regarding the proxy, the conflict will be disclosed to the client.

## **Item 18: Financial Information**

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### **Financial Condition**

At the present time, Cornerstone does not have any financial impairment that will preclude the firm from meeting contractual commitments to its clients.

A balance sheet is not required to be provided because Cornerstone does not serve as a custodian for client funds or securities, and Cornerstone does not require prepayment of fees of more than \$500 per client, and six months or more in advance.

## **Brochure Supplement (Part 2B of Form ADV) Dated March 24, 2019**

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### **Education and Business Standards**

Cornerstone requires that advisors providing investment advice directly to clients must have a bachelor's degree and a minimum of three years of financial planning or investment related work experience. In addition, advisors should either have obtained, or be working toward, a professional designation or advanced degree related to personal financial planning, investment management, or taxation. Examples of a professional designation or advanced degree related to financial planning, investment management, or taxation would include CFP<sup>®</sup>, CFA, CKA, ChFC, CTFA, CIMA, CPWA, CPA, PFS, MST, EA, MBA, JD, or LL.M.

### **Professional Certifications**

Employees have earned certifications and credentials that are required to be explained in further detail.

### **Certified Financial Planner<sup>™</sup>**

The CERTIFIED FINANCIAL PLANNER<sup>™</sup>, CFP<sup>®</sup> and federally registered CFP (with flame design) marks (collectively, the “CFP<sup>®</sup> marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”). The CFP<sup>®</sup> certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP<sup>®</sup> certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 85,000 individuals have

obtained CFP® certification in the United States. To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Code of Ethics and Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Code of Ethics and Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services following a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

**Theodore R. Yoos, CFP<sup>®</sup>, Managing Member**

**Item 2: Educational Background and Business Experience**

Educational Background:

- Year of birth: 1958
- Hamilton College, Clinton, NY, B.A., Summa cum Laude, Phi Beta Kappa, 1980.
- Cornell University, Ithaca, NY, M.S., 1988.
- The Philadelphia Institute, Philadelphia, PA, Certificate in Fiduciary Management, 1990.
- Boston University, Boston, MA, Financial Planning Program, 1994-1997.

Business Experience:

- Founder and Managing Member, Cornerstone Financial Management LLC, 2006-present.
- Wealth Manager, Back Bay Financial Group, Boston, MA, 2004-2006.
- Financial Advisor, Tanager Financial Services, Waltham, MA, 1999-2004.
- Senior Financial Planner, TFS Financial Advisors LP, Cambridge, MA, 1997-1999.
- Financial Planner, Tofias Fleishman Shapiro & Co., Cambridge, MA, 1993-1997.
- Estate and Gift Tax Preparer, Connecticut National Bank, Hartford, CT, 1990-1993.

Theodore received his CFP<sup>®</sup> designation in February 1998. He is a member of the Financial Planning Association (FPA), Kingdom Advisors (KA), the Boston Estate Planning Council (BEPC), the American Association of Individual Investors (AAII), and the National Association of Tax Professionals (NATP).

**Item 3: Disciplinary Information:** None

**Item 4: Other Professional Activities:** None

**Item 5: Additional Compensation:** None

**Item 6: Supervision:**

Due to the fact that Cornerstone is a single member Limited Liability Corporation, Theodore Yoos is self-supervised. Theodore reviews his personal financial planning and investment advisory work for adherence to FPA and CFP<sup>®</sup> Board standards, as well as for compliance with requirements with the Securities Division of the Commonwealth of Massachusetts.

**Item 7: Requirements for State-Registered Advisers:**

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

Theodore Yoos's contact information: (781) 229-5809 · tyoos@cornerstonefm.com