# GUERNSEY

FINANCIAL

## Firm Brochure – Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Guernsey Financial, LLC. If you have any questions about the contents of this brochure, please contact us at (850) 476-3491 or by email at: doug@guernseyfinancial.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 Guernsey Financial, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Guernsey Financial, LLC's CRD number is: 299037.*

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*Registration as an investment adviser does not imply a certain level of skill or training.*

Version Date: 02/08/2023

# Item 2: Material Changes

There are no material changes in this brochure from the last annual updating amendment on March 9, 2022 of Guernsey Financial, LLC. Material changes relate to Guernsey Financial, LLC's policies, practices or conflicts of interests.

# Item 3: Table of Contents

# Item 4: Advisory Business

## A. Description of the Advisory Firm

Guernsey Financial, LLC (hereinafter "GFLLC") is a Limited Liability Company organized in the State of Florida. The firm was formed in July 2018, and the principal owners are Douglas Kent Guernsey and Elwyn Douglas Guernsey.

## B. Types of Advisory Services

### *Portfolio Management & Selection of Other Advisers*

GFLLC will direct clients to third-party investment advisers. Before selecting other advisers for clients, GFLLC will always ensure those other advisers are properly licensed or registered as an investment adviser. GFLLC conducts due diligence on any third-party investment adviser, which may involve one or more of the following: phone calls, meetings and review of the third-party adviser's performance and investment strategy. GFLLC then makes investments with a third-party investment adviser by referring the client to the third-party adviser. GFLLC will review the ongoing performance of the third-party adviser.

### *Portfolio Analysis (MRI) Services*

GFLLC performs a portfolio "MRI" service; an analogy used to describe looking deeply into the holdings of a client's portfolio. Specifically, GFLLC will outline the client's current financial situation, including annual income, savings, tax levels, and risk tolerance levels. GFLLC will then prepare a report for the client and work with the client to ensure that investments match the client's risk tolerance, goals, and time horizon.

### *Financial Planning*

Financial plans and financial planning may include, but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning.

### *Educational Seminar/Workshop*

GFLLC offers educational seminars which are purely investment-related education, so there is never sales promotional material or prospectuses.

The topics of the seminars include: Portfolio Engineering, True Purpose for Money, Dealing with human behavior related to money and investing, teaching about Nobel Prize winning theories (MPT, Efficient Market Hypothesis, Fama/French Three Factor Model), how to prepare for a market crash, importance of GIPS and the auditing of a portfolio's returns, Investing mistakes to avoid, etc.

### *Services Limited to Specific Types of Investments*

GFLLC generally limits its investment advice to mutual funds, fixed income securities, insurance products including annuities, equities, ETFs, treasury inflation protected/inflation linked bonds and private placements. GFLLC may use other securities as well to help diversify a portfolio when applicable.

## C. Client Tailored Services and Client Imposed Restrictions

GFLLC offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels). Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

## D. Wrap Fee Programs

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, and certain other administrative fees. GFLLC does not participate in wrap fee programs.

## E. Assets Under Management

GFLLC has the following assets under management:

| Discretionary Amounts: | Non-discretionary Amounts: | Date Calculated: |
|---|---|---|
| $0 | $66,706,545 | December 31, 2022 |

# Item 5: Fees and Compensation

## A. Fee Schedule

### *Portfolio Management & Selection of Other Advisers Fees*

GFLLC will direct clients to Matson Money, Inc. The annual fee schedule is as follows:

Fees will not exceed 99 basis points and will be at GFLLC discretion based on the nature of the client relationship.

**Co-Adviser Compensation: Fees** (as % of assets under management)

| | |
|---|---|
| The first $500,000 | 0. 99% |
| The next $500,000 | 0. 90% |
| The next $3,000,000 | 0. 75% |
| The remainder over $4,000,000 | 0. 50% |

The value of the account as of the last business day of the quarter is used for purposes of calculating the fee for portfolio management & selection of other adviser services. These fees are negotiable and are separate from the expense ratio (0.50% annually) associated with the Matson Money funds in which the portfolio will be invested. Matson Money does not receive any advisory fee; it is compensated solely via the 0.50% fee associated with its mutual fund. All clients will invest in the mutual funds run by Matson Money. As discussed above, the aggregate management fees charged by GFLLC and Matson Money will not exceed 1.49% annually.

These fees are negotiable.

Matson collects fees in advance of every quarter (i.e. at the beginning of January, April, July, and October) directly from the clients' account. They also collect GFLLC co-advisor fee and send to GFLLC directly.

### *Portfolio Analysis (MRI) Fees*

The Portfolio MRI service will be offered to all clients, including those using GFLLC's other advisory services. Clients will pay a one-time (non-recurring) fixed fee of $500 for the MRI service. This fee is negotiable and is charged to all prospective clients unless reduced or waived in GFLLC's sole discretion.

### *Financial Planning Fees*

### Fixed Fees

The negotiated fixed rate for creating client financial plans is between $1,500 and $10,000. The fixed fee is based upon the complexity of the plan and the estimated amount of time to be used for creating a financial plan. Fixed fees relate to financial plans and financial planning that may include, without limitation: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning, each service as further detailed above.

It is anticipated that each financial planning service listed above will take approximately 2-4 hours of financial planning and therefore the time to complete a financial plan will depend on the services required by the client. For example, the financial plan for a client requiring only investment planning, retirement, and life insurance planning will usually require 6-12 hours.

Clients may terminate the agreement without penalty, for full refund of GFLLC's fees, within five business days of signing the Financial Planning Agreement. Thereafter, clients may terminate the Financial Planning Agreement generally upon written notice.

### *Educational Seminar/Workshop Fees*

There is no cost to attend any of GFLLC educational or client events.

## B. Payment of Fees

### *Payment of Portfolio Management & Selection of Other Advisers Fees*

Fees are withdrawn directly from the client's accounts with client's written authorization. Matson Money calculates and withdraws the fee based on the negotiated rate memorialized in the client contract; Matson Money does not bill clients directly. GFLLC does not directly deduct the fees. Fees are paid quarterly in advance.

### *Payment of Portfolio Analysis (MRI) Fees*

The MRI fee is paid in advance via check.

### *Payment of Financial Planning Fees*

Financial planning fees are paid via check.

Fixed financial planning fees are paid in arrears upon completion.

### *Payment of Educational Seminar/Workshop Fees*

There is no cost to attend any of GFLLC educational or client events.

## C. Client Responsibility For Third Party Fees

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by GFLLC. Please see Item 12 of this brochure regarding broker-dealer/custodian.

## D. Prepayment of Fees

GFLLC collects certain fees in advance and certain fees in arrears, as indicated above. Refunds for fees paid in advance but not yet earned will be refunded on a prorated basis and returned within fourteen days to the client via check, or return deposit back into the client's account.

For all asset-based fees paid in advance, the fee refunded will be equal to the balance of the fees collected in advance minus the daily rate* times the number of days elapsed in the billing period up to and including the day of termination. (*The daily rate is calculated by dividing the annual asset-based fee rate by 365.)

Fixed fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination.

### E. Outside Compensation For the Sale of Securities to Clients

Neither GFLLC nor its supervised persons accept any compensation for the sale of investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## Item 6: Performance-Based Fees and Side-By-Side Management

GFLLC does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7: Types of Clients

GFLLC generally provides advisory services to the following types of clients:

- Individuals
- High-Net-Worth Individuals

There is no account minimum for any of GFLLC's services.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

GFLLC's methods of analysis include Modern Portfolio Theory, Three Factor Model, and Efficient Market Hypothesis.

Modern portfolio theory is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset classes.

Investment Strategies

GFLLC incorporates investor education, discipline, and prudence to the investing process. GFLLC will help to align the portfolio allocation with the investor's risk tolerance, objectives, and time horizon.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## B. Material Risks Involved

### *Methods of Analysis*

**Modern Portfolio Theory** (MPT) was pioneered by Harry Markowitz in his paper "Portfolio Selection" published in 1952 by the Journal of Finance. In 1991 he was awarded a Nobel Prize for Economics for his development of MPT. The assumption is that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

**Three Factor Model** – In 1991, Eugene F. Fama and Kenneth R. French conducted an exhaustive investigation into the sources of risk and return. Their research revealed that a portfolio's exposure to three simple, but diverse risk factors determines the vast majority of investment results. These three factors are referred to as the Three-Factor Model.

1) The Market Factor – that the additional risk associated with owning equities has a higher expected long-term return over Fixed Income,
2) The Size Effect – that the additional risk associated with Small-Cap stocks has a higher expected long-term return over Large-Cap stocks, and
3) The Value Effect – that the additional risk associated with high Book-to-Market has a higher expected long-term return over low Book-to-Market stocks.

**Efficient Market Hypothesis** is first explained by Eugene F. Fama in his 1965 doctoral thesis:

"An efficient market is defined as a market where there are large numbers of rational, profit-maximizers actively competing, with each trying to predict future market values of individual securities, and where important current information is almost freely available to all participants. In an efficient market, competition among the many intelligent participants leads to a situation where, at any point in time, actual prices of individual securities already reflect the effects of information based both on events that have already occurred and on events which, as of now, the market expects to take place in the future. In other words, in an efficient market at any point in the time the actual price of a security will be a good estimate of its intrinsic value." Eugene F. Fama, "Randon Walks in Stock Market Prices", Financial Analysts Journal, September/October 1965.

Eugene F. Fama was awarded a Nobel Prize for Economics in 2013 for his work.

### *Investment Strategies*

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Selection of Other Advisers:** Although GFLLC will seek to select only money managers who will invest clients' assets with the highest level of integrity, GFLLC's selection process cannot ensure that money managers will perform as desired and GFLLC will have no control over the day-to-day operations of any of its selected money managers. GFLLC would not necessarily be aware of certain activities at the underlying money manager level, including without limitation a money manager's engaging in unreported risks, investment "style drift" or even regulator breach or fraud. In monitoring and analyzing the third-party advisers, GFLLC uses benchmarking analysis, assessing whether the adviser's performance has met, exceeded, or fallen short of comparable benchmarks (e.g., Russell 2000, S&P 500, etc.), together with comparison against any stated benchmarks the adviser has set for itself.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## C. Risks of Specific Securities Utilized

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance.

**Annuities** are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

**Private placements** carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and the liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

# Item 9: Disciplinary Information

## A. Criminal or Civil Actions

There are no criminal or civil actions to report.

## B. Administrative Proceedings

There are no administrative proceedings to report.

## C. Self-regulatory Organization (SRO) Proceedings

There are no self-regulatory organization proceedings to report.

# Item 10: Other Financial Industry Activities and Affiliations

## A. Registration as a Broker/Dealer or Broker/Dealer Representative

Douglas Kent Guernsey is not registered or affiliated with a broker/dealer.

## B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither GFLLC nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

## C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

Douglas Kent Guernsey is a licensed insurance agent and 49% owner of Guernsey & Associates, LLC. From time to time, will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. GFLLC always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to utilize the services of any representative of GFLLC in connection with such individual's activities outside of GFLLC.

Douglas Kent Guernsey serves as President of the Plantation Road Town Office Owners Association. He does not solicit through this organization. No compensation is received. No fundraising exists for said organization. No conflict of interest exists.

### D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections

GFLLC has entered into a co-advisory agreement with Matson Money, an unaffiliated money manager, under which it recommends on a nondiscretionary basis that clients open an account in an advisory program offered by Matson Money. In using third party advisers, there is a conflict of interest in that GFLLC would have an incentive to direct clients to third-party investment advisers that provide GFLLC with a larger fee split. This is mitigated because Matson Money charges no separate advisory fee of its own for the asset allocation services it provides to accounts participating in the Matson Fund Platform. Instead, Matson Money will be compensated via the expense ratio associated with the Matson Fund Platform; Matson Money also collects the GFLLC advisory fee directly from the custodian and then remits that advisory fee to GFLLC. Moreover, GFLLC will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients. GFLLC will verify that all recommended advisers are properly licensed, notice filed, or exempt in the states where GFLLC is recommending the adviser to clients.

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

### A. Code of Ethics

GFLLC has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. GFLLC's Code of Ethics is available free upon request to any client or prospective client.

### B. Recommendations Involving Material Financial Interests

GFLLC does not recommend that clients buy or sell any security in which a related person to GFLLC or GFLLC has a material financial interest.

### C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of GFLLC may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of GFLLC to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. GFLLC will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, representatives of GFLLC may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of GFLLC to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, GFLLC will never engage in trading that operates to the client's disadvantage if representatives of GFLLC buy or sell securities at or around the same time as clients.

## Item 12: Brokerage Practices

### A. Factors Used to Select Custodians and/or Broker/Dealers

GFLLC does not trade client's accounts or recommend broker/custodians. GFLLC does not trade client's accounts and therefore receives no research, product, or services from a broker-dealer ("soft dollar benefits"). GFLLC does not have the ability to block trade purchases across accounts. GFLLC receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### B. Aggregating (Block) Trading for Multiple Client Accounts

GFLLC does not trade clients' accounts and therefore does not have the ability to block trade purchases across accounts.

## Item 13: Review of Accounts

All financial plans prepared are reviewed upon financial plan creation and plan delivery by Douglas K Guernsey, Managing Partner. Financial planning clients are provided a one-time financial plan concerning their financial situation. With respect to financial plans, GFLLC’s services will conclude upon delivery of the written financial plan. Clients may request additional plans or reports for an additional fee. After the presentation of the plan, there are no further reports.

# Item 14: Client Referrals and Other Compensation

## A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

Other than its compensation for its recommendation and engagement of third party investment advisers, GFLLC does not receive any economic benefit, directly or indirectly from any third party for advice rendered to GFLLC's clients.

GFLLC does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## B. Compensation to Non – Advisory Personnel for Client Referrals

GFLLC does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

# Item 15: Custody

GFLLC does not take custody of client accounts at any time. Custody of client’s accounts is held primarily at the client’s custodian. Clients will receive account statements from the custodian and should carefully review those statements for accuracy. Please see item 5 for more information regarding the deduction of GFLLC fees from client accounts.

# Item 16: Investment Discretion

GFLLC does not have discretion over client accounts at any time.

# Item 17: Voting Client Securities (Proxy Voting)

GFLLC will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

# Item 18: Financial Information

## A. Balance Sheet

GFLLC neither requires nor solicits prepayment of more than $500 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

## B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither GFLLC nor its management has any financial condition that is likely to reasonably impair GFLLC's ability to meet contractual commitments to clients.

## C. Bankruptcy Petitions in Previous Ten Years

GFLLC has not been the subject of a bankruptcy petition in the last ten years.

# Item 19: Requirements For State Registered Advisers

## A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background

The education and business backgrounds of GFLLC's current management persons, Douglas Kent Guernsey and Elwyn Douglas Guernsey, can be found on the Form ADV Part 2B brochure supplements for those individuals.

## B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)

Other business activities for each relevant individual can be found on the Form ADV Part 2B brochure supplement for each such individual.

## C. Calculation of Performance-Based Fees and Degree of Risk to Clients

GFLLC does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## D. Material Disciplinary Disclosures for Management Persons of this Firm

There are no civil, self-regulatory organization, or arbitration proceedings to report under this section.

## E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)

See Item 10.C and 11.B.