

# Item 1: Cover Page

**Financial Trex, LLC**

P.O. Box 8812

Spokane WA 99203

**Form ADV Part 2A – Firm Brochure**

773-688-8739

Dated May 22, 2020

This Brochure provides information about the qualifications and business practices of Financial Trex, LLC, “FT”. If you have any questions about the contents of this Brochure, please contact us at 773-688-8739. 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.

Financial Trex, LLC is registered as an Investment Adviser with the State of WA. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about FT is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the firm’s identification number 283951.

# Item 2: Material Changes

The following changes have been made to this version of the Disclosure Brochure:

- Item 4: The Advisor has added a service offering: Focused Financial Consultation.
- Item 5: The Advisor has added fee information for a new service offering, “Focused Financial Consultation”.
- Item 18: Like many of our clients’ businesses and lives, we too have been impacted by the economic uncertainty associated with the Coronavirus pandemic. In order to mitigate potential impacts, the advisor applied for and secured a loan through the federal government’s Paycheck Protection Program as part of the small business stimulus package released to provide support opportunities for businesses and their employees. The loan was obtained to ensure that we can continue to meet our contractual obligations and maintain operations.

## Future Changes

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of FT.

At any time, you may view the current Disclosure Brochure on-line at the SEC’s Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov> by searching for our firm name or by our CRD number 283951.

You may also request a copy of this Disclosure Brochure at any time, by contacting us at 773-688-8739.

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# Item 4: Advisory Business

## **Description of Advisory Firm**

Financial Trex, LLC is registered as an Investment Adviser with the State of WA. We were founded in April 2016 and became registered as an investment advisor in June 2016. Denise A. Downey is the principal owner of FT.

## **Types of Advisory Services**

### **Investment Management Services**

We are in the business of managing individually tailored investment portfolios. Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy or an investment plan with an asset allocation target and create and manage a portfolio based on that policy and allocation target. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Fees pertaining to this service are outlined in Item 5 of this brochure.

### **Investment Advisory Services (Betterment Securities Manages Accounts)**

We offer investment advisory services by referring clients, where appropriate, to third-party money managers ("Outside Managers") for portfolio management services. We assist clients in selecting an appropriate allocation model, completing the Outside Manager's investor profile questionnaire, interacting with the Outside Manager and reviewing the Outside Manager. Our review process and analysis of outside managers is further discussed in Item 8 of this Form ADV Part 2A. Client may impose reasonable restrictions on their account. Additionally, we will meet with the client on a periodic basis to discuss changes in their personal or financial situation, suitability, and any new or revised restrictions to be applied to the account. Fees pertaining to this service are outlined in Item 5 of this brochure.

## **Comprehensive Financial Planning**

This service involves working one-on-one with a planner over an extended period of time. By paying a monthly or quarterly fee in arrears, clients get continuous access to a planner who will work with them to design their plan. The planner will monitor the plan, recommend any changes and ensure the plan is up to date.

Upon desiring a comprehensive plan, a client will be taken through establishing their goals and values around money. They will be required to provide information to help complete the following areas of analysis: net worth, cash flow, insurance, employee benefit, retirement planning, insurance, investments, college planning, student loan debt and estate planning. Once the client's information is reviewed, their plan will be built and analyzed, and then the findings, analysis and potential changes to their current situation will be reviewed with the client. Clients subscribing to this service will receive a written or an electronic report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives. If a follow up meeting is required, we will meet at the client's convenience. The plan and the client's financial situation and goals will be monitored throughout the year and follow-up phone calls and emails will be made to the client to confirm that any agreed upon action steps have been carried out. On an annual basis there will be a full review of this plan to ensure its accuracy and ongoing appropriateness. Any needed updates will be implemented at that time.

## **Hourly Financial Planning**

We provide financial planning services for clients who are looking for a limited engagement through an up-front financial plan that they can implement on their own. Topics may include investment allocation guidance, retirement planning, risk management, college savings, cash flow, debt management, and estate and incapacity planning.

Clients purchasing this service will receive a one-on-one meeting with a financial planner and an optional follow-up electronic report providing the client with action steps designed to achieve his or her stated financial goals and objectives. Clients are responsible for the implementation of this plan.

Hourly Financial Planning is offered for projects that are limited in scope and may include any of the financial topics below.

In general, the financial plan may address any of the following areas of concern. The client and advisor will work together to select the specific areas to cover. These areas may include, but are not limited to, the following:

- **Cash Flow and Debt Management:** We will conduct a review of your income and expenses to determine your current surplus or deficit along with advice on prioritizing how any surplus should be used or how to reduce expenses if they exceed your income. Advice may also be provided on which debts to pay off first based on factors such as the interest rate of the debt and any income tax ramifications. We may also recommend what we believe to be an appropriate cash reserve that should be considered for emergencies and other financial goals, along with a review of accounts (such as money market funds) for such reserves, plus strategies to save desired amounts.
- **College Savings:** Includes projecting the amount that will be needed to achieve college or other post-secondary education funding goals, along with advice on ways for you to save the desired amount. Recommendations as to savings strategies are included, and, if needed, we will review your financial picture as it relates to eligibility for financial aid or the best way to contribute to grandchildren (if appropriate).
- **Employee Benefits Optimization:** We will provide review and analysis as to whether you, as an employee, are taking the maximum advantage possible of your employee benefits. If you are a business owner, we will consider and/or recommend the various benefit programs that can be structured to meet both business and personal retirement goals.
- **Estate Planning:** This usually includes an analysis of your exposure to estate taxes and your current estate plan, which may include whether you have a will, powers of attorney, trusts and other related documents. Our advice also typically includes ways for you to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts.

We always recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We may provide you with contact information for attorneys who specialize in estate planning when you wish to hire an attorney for such purposes. From time-to-time, we will participate in meetings or phone calls between you and your attorney with your approval or request.

- **Financial Goals:** We will help clients identify financial goals and develop a plan to reach them. We will identify what you plan to accomplish, what resources you will need to make it happen, how much time you will need to reach the goal, and how much you should budget for your goal.

- **Insurance:** Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **Investment Analysis:** This may involve developing an asset allocation strategy to meet clients' financial goals and risk tolerance, providing information on investment vehicles and strategies, reviewing employee stock options, , as well as assisting you in establishing your own investment account at a selected broker/dealer or custodian. The strategies and types of investments we may recommend are further discussed in Item 8 of this brochure.
- **Retirement Planning:** Our retirement planning services typically include projections of your likelihood of achieving your financial goals, typically focusing on financial independence as the primary objective. For situations where projections show less than the desired results, we may make recommendations, including those that may impact the original projections by adjusting certain variables (i.e., working longer, saving more, spending less, taking more risk with investments).

If you are near retirement or already retired, advice may be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

- **Risk Management:** A risk management review includes an analysis of your exposure to major risks that could have a significant adverse impact on your financial picture, such as premature death, disability, property and casualty losses, or the need for long-term care planning. Advice may be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the benefits of doing so and, likewise, the potential cost of not purchasing insurance ("self-insuring").
- **Tax Planning Strategies:** Advice may include ways to minimize current and future income taxes as a part of your overall financial planning picture. For example, we may make recommendations on which type of account(s) or specific investments should be owned based in part on their "tax efficiency," with consideration that there is always a possibility of future changes to federal, state or local tax laws and rates that may impact your situation.

We recommend that you consult with a qualified tax professional before initiating any tax planning strategy, and we may provide you with contact information for accountants or attorneys who specialize in this area if you wish to hire someone for such purposes. We will

participate in meetings or phone calls between you and your tax professional with your approval.

### **Focused Financial Consultation**

We provide financial planning services for clients who are looking for a very limited engagement through a 90-minute phone or video consultation, followed by a 30-minute phone or video consultation approximately 30 days after the initial consultation. Topics may include investment allocation guidance, retirement planning, risk management, college savings, cash flow, debt management, and estate and incapacity planning.

This service offering includes access to Financial Trex via email for additional questions 7 days after initial consultation. The scope of this engagement is limited to guidance provided during the phone/video consultation; Financial Trex will not provide a written plan before or after this engagement.

### **Educational Seminars and Speaking Engagements**

We may provide seminars on an “as announced” basis for groups seeking general advice on investments and other areas of personal finance. We may also provide online educational courses on our website for a fee. The content of these seminars and courses will vary depending upon the needs of the attendees. These seminars and courses are purely educational in nature and do not involve the sale of any investment products. Information presented will not be based on any individual’s person’s need, nor does FT provide individualized investment advice to attendees during these seminars or courses.

### **Client Tailored Services and Client Imposed Restrictions**

We offer the same suite of services to all of our clients. However, specific client financial plans 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) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

### **Wrap Fee Programs**

We do not participate in wrap fee programs.

# Item 5: Fees and Compensation

Please note, unless a client has received the firm’s disclosure brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees (without penalty). How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below.

## Investment Management Services

Our standard management fee is based on the market value of the assets under management and is calculated as follows:

Account Value	Annual Advisory Fee
<b>\$0 - \$500,000</b>	0.75%
<b>\$500,001 - \$1,000,000</b>	0.65%
<b>\$1,000,001 and Above</b>	0.55%

The annual fees are negotiable and are pro-rated and paid in arrears on a quarterly basis. The advisory fee is a blended fee and is calculated by assessing the percentage rates using the predefined levels of assets as shown in the above chart, resulting in a combined weighted fee. For example, an account valued at \$2,000,000 would pay an effective fee of 0.625% with the annual fee of \$12,500.00. The quarterly fee is determined by the following calculation:  $((\$500,000 \times .75\%) + (\$500,000 \times 0.65\%) + (\$1,000,000 \times 0.55\%)) \div 3/12 = \$3,125$ . No increase in the annual fee shall be effective without agreement from the client by signing a new agreement or amendment to their current advisory agreement.

Management fees are directly debited from client accounts, or the client may choose to pay by check. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee based on the amount of time remaining in the billing period. An account may be terminated with written notice at least 15 calendar days in advance. Since fees are paid in arrears, no rebate will be needed upon termination of the account.

## Investment Advisory Services

When FT directs clients to an Outside Manager (Betterment Securities), FT will be compensated via a fee share from each of the advisors to which it directs clients. The fees shared will not exceed any limit imposed by any regulatory agency. The advisory fee is calculated as follows:

Account Value	Annual Advisory Fee
\$0 - \$500,000	0.65%
\$500,001 - \$1,000,000	0.55%
\$1,000,001 and Above	0.45%

The annual fees are negotiable and are pro-rated by the number of days in the quarter and paid in arrears on a quarterly basis. Your Betterment fee is calculated by the following formula: Sum of the following for each day in the preceding quarter: (the balance in a client's account at the end of the day) \* (advisory fee applicable on that day). The Outside Manager will debit the client's account for both the Outside Manager's fee, and FTs advisory fee, and will remit FT's fee to FT. Please note, the above fee schedule **does** include the Outside Manager's fee. No increase in the annual fee shall be effective without agreement from the client by signing a new agreement or amendment to their current advisory agreement. The Outside manager (Betterment Securities), charges .20% for advisory services.

Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee based on the amount of time remaining in the billing period. An account may be terminated with written notice at least 15 calendar days in advance. Since fees are paid in arrears, no rebate will be needed upon termination of the account.

### **WAC 460-24A-106(1)(b)(ii)**

Each time a fee is directly deducted from a client's account, FT will concurrently send the client an invoice itemizing the fee. In addition, FT is required to provide advisory clients with written billing information which contains the fee(s), the formula used to calculate the fee(s), and the time period covered by the fee(s).

## Comprehensive Financial Planning

Comprehensive Financial Planning consists of an upfront charge between \$500-\$1000 and an ongoing fee that is paid monthly or quarterly, in arrears, at the rate of between \$450-750 per quarter. The fee may be negotiable in certain cases, based on complexity and needs of the client.

For example, a client with a simplistic financial planning needs, such as college savings strategies or ongoing credit card debt management, would merit a lower upfront and monthly fee within the range. However, a client who is more financially complex, and needs services pertaining to items such as retirement planning, tax loss harvesting, employee benefits optimization etc., will merit the higher fees within the range. Additional complexity factors include marital status, whether the client is a business owner, owns rental property, complex assets (such as Employee Stock Option plans, partnerships, options, etc.), high net worth, or requests more than one in-person meeting per year.

Clients will pay for this service via electronic funds transfer or by check. This service may be terminated with 30 days' notice. Upon termination of any account, the fee will be prorated and any unearned fee will be refunded to the client. Also upon termination, any work that has been completed and is suitable for presentation, will be provided to the client. If no work is provided to the client or the work that is provided does not meet the required hourly threshold based on the hourly financial planning service, the amount due will be reduced according to the work that was completed. FT will not bill an amount above \$500.00 more than 6 months in advance. Refunds will be processed by check.

### **Hourly Financial Planning Fee**

Financial Planning is offered on an hourly basis for projects that are limited in scope. The fee is \$200 per hour billed in 30-minute increments and is negotiable based on the client's needs and complexity. ½ of the fee is due at the beginning of the process, however, FT will not bill an amount above \$500.00 more than 6 months in advance. The other ½ of the fee is due at the completion of services. In the event of early termination by the client, any fees for the hours already worked will be due.

This service may be terminated in writing prior to the start of the process. Refunds will be issued by check. Also upon termination, any work that has been completed and is suitable for presentation, will be provided to the client.

After the hourly financial planning service is completed, if the client decides to engage FT in "Comprehensive Financial Planning" within 12 months, this fee will be deducted from the upfront charge associated with "Comprehensive Financial Planning".

## **Focused Financial Consultations**

Focused Financial Consultations are offered on an hourly basis for projects that are very limited in scope. The fee is \$400 for 2 hours of consultation and is negotiable based on the client's needs and complexity. The fee is due at the end of the initial 90-minute consultation. In the event of early termination by the client, any fees for the hours already worked will be due.

This service may be terminated in writing prior to the start of the process. Refunds will be issued by check. Also upon termination, any work that has been completed and is suitable for presentation, will be provided to the client.

After the Focused Financial Consultation service is completed, if the client decides to engage FT in "Comprehensive Financial Planning" within 12 months, this fee will be deducted from the upfront charge associated with "Comprehensive Financial Planning".

## **Educational Seminars/ Speaking engagements**

Seminars are offered to organizations and the public on a variety of financial topics. Fees range from free to \$500 per seminar or free to \$20 per participant. Fees are to be paid the day of, no later than the conclusion of the Seminar. The fee range is based on the content, amount of research conducted, number of hours of preparation needed, and the number of attendees. In the event of inclement weather or a flight cancellation, the Speaker shall make all reasonable attempts to make alternative travel arrangements to arrive in time for the presentation. If travel proves impossible, or the event is otherwise cancelled, the Speaker's fee is waived, but the Client will still be responsible for reimbursement of any non-refundable travel expenses already incurred.

In the event that the Client decides to cancel or change the date of the event for any reason besides weather or similar unforeseen causes, the Client will still be responsible for reimbursement of any non-refundable travel expenses already incurred, and will provide payment for 50% of the Speaker's fee if the cancellation occurs within 30 days of the event. In the event that the Speaker must cancel due to health or similar unforeseen circumstances, the Speaker will make all attempts to find a reasonable alternative engagement date and will absorb any incremental additional costs for obtaining alternative travel arrangements. If an alternative date cannot be obtained, the Client will not be responsible for any travel costs already incurred by the Speaker or any portion of the Speaker's fee.

## **Speaking Engagements**

Denise Downey is a public speaker. Generally, fees for her speaking engagements range from free to \$1000 plus travel expenses, depending on sponsor, date, location, and program requested. For all speeches, 50% of the balance is due before the event and the remaining balance due at the conclusion of the event. Half of the fees are due prior to the engagement, and the other half are to be paid the day of, no later than the conclusion of the Seminar. The fee range is based on the content, amount of research conducted, number of hours of preparation needed, and the number of attendees. The content is based on topics that are currently relevant in the financial planning environment.

In the event of inclement weather or a flight cancellation, the Speaker shall make all reasonable attempts to make alternative travel arrangements to arrive in time for the presentation. If travel proves impossible, or the event is otherwise cancelled, the Speaker's fee is waived, but the Client will still be responsible for reimbursement of any non-refundable travel expenses already incurred. In the event that the Client decides to cancel or change the date of the event for any reason besides weather or similar unforeseen causes, the Client will still be responsible for reimbursement of any non-refundable travel expenses already incurred, and will provide payment for 50% of the Speaker's fee if the cancellation occurs within 30 days of the event. In the event that the Speaker must cancel due to health or similar unforeseen circumstances, the Speaker will make all attempts to find a reasonable alternative engagement date and will absorb any incremental additional costs for obtaining alternative travel arrangements. If an alternative date cannot be obtained, the Client will not be responsible for any travel costs already incurred by the Speaker or any portion of the Speaker's fee.

Educational Seminars and Speaking Engagements may be provided pro-bono at FT's discretion.

### **Other Types of Fees and Expenses**

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as 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 fund 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 our fee, and we shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).

We do not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

In all instances, the client will have the option to purchase investment products that are recommended through other brokers or agents not affiliated with FT.

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

We do not offer performance-based fees.

## Item 7: Types of Clients

We provide financial planning and portfolio management services to individuals and high net-worth individuals.

We do not have a minimum account size requirement. Betterment Securities requires signed documentation upon initiation of the client's advisory relationship, that outlines any requirements for opening and maintaining accounts.

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

When clients have us complete an Investment Analysis (described in Item 4 of this brochure) as part of their financial plan, our primary methods of investment analysis are fundamental and passive investment management.

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

We employ the use of sub-advisers ("outside managers"). Our analysis of outside managers involve the examination of the experience, expertise, investment philosophies, and past performance of the

outside managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks. A risk of investing with an outside manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in an outside manager's portfolio. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

### Passive Investment Management

We primarily practice passive investment management. Passive investing involves building portfolios that are comprised of various distinct asset classes. The asset classes are weighted in a manner to achieve a desired relationship between correlation, risk and return. Funds that passively capture the returns of the desired asset classes are placed in the portfolio. The funds that are used to build passive portfolios are typically index mutual funds or exchange traded funds.

Passive investment management is characterized by low portfolio expenses (i.e. the funds inside the portfolio have low internal costs), minimal trading costs (due to infrequent trading activity), and relative tax efficiency (because the funds inside the portfolio are tax efficient and turnover inside the portfolio is minimal).

In contrast, active management involves a single manager or managers who employ some method, strategy or technique to construct a portfolio that is intended to generate returns that are greater than the broader market or a designated benchmark. Academic research indicates most active managers underperform the market.

### Material Risks Involved

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

## **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

**Exchange Traded Funds** prices may vary significantly from the Net Asset Value due to market conditions. Certain Exchange Traded Funds may not track underlying benchmarks as expected.

**Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. The Adviser has no control over the risks taken by the underlying funds in which client's invest.

## 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 FT or the integrity of our management. We have no information applicable to this Item.

# Item 10: Other Financial Industry Activities and Affiliations

Denise A. Downey currently does not participate in other financial industry activities and is not affiliated with other financial firms.

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

As a fiduciary, our firm and its associates have a duty of utmost good faith to act solely in the best interests of each client. Our clients entrust us with their funds and personal information, which in turn places a high standard on our conduct and integrity. Our fiduciary duty is a core aspect of our Code of Ethics and represents the expected basis of all of our dealings. The firm also adheres to the Code of Ethics and Professional Responsibility adopted by the CFP® Board of Standards Inc., and accepts the obligation not only to comply with the mandates and requirements of all applicable laws and regulations but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities.

This code does not attempt to identify all possible conflicts of interest, and literal compliance with each of its specific provisions will not shield associated persons from liability for personal trading or other conduct that violates a fiduciary duty to advisory clients. A summary of the Code of Ethics' Principles is outlined below.

- Integrity - Associated persons shall offer and provide professional services with integrity.
- Objectivity - Associated persons shall be objective in providing professional services to clients.
- Competence - Associated persons shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which they are engaged.
- Fairness - Associated persons shall perform professional services in a manner that is fair and reasonable to clients, principals, partners, and employers, and shall disclose conflict(s) of interest in providing such services.
- Confidentiality - Associated persons shall not disclose confidential client information without the specific consent of the client unless in response to proper legal process, or as required by law.

- Professionalism - Associated persons' conduct in all matter shall reflect credit of the profession.
- Diligence - Associated persons shall act diligently in providing professional services.

We will, upon request, promptly provide a complete code of ethics.

Our firm and its "related persons" (associates, their immediate family members, etc.) may buy or sell securities the same as, similar to, or different from, those we recommend to clients for their accounts. A recommendation made to one client may be different in nature or in timing from a recommendation made to a different client. Clients often have different objectives and risk tolerances. At no time, however, will our firm or any related party receive preferential treatment over our clients.

In an effort to reduce or eliminate certain conflicts of interest involving the firm or personal trading, our policy may require that we restrict or prohibit associates' transactions in specific securities transactions. In addition, FT and it's employees will not purchase a security as a client within 5 business days prior to effecting the same transaction in a client's account. Any exceptions or trading pre-clearance must be approved by our Chief Compliance Officer in advance of the transaction in an account, and we maintain the required personal securities transaction records per regulation.

The adviser does not make recommendations in securities that the adviser has a material financial interest.

## Item 12: Brokerage Practices

### Factors Used to Select Custodians and/or Broker-Dealers

Financial Trex, LLC does not have any affiliation with Broker-Dealers. Specific custodian recommendations are made to client based on their need for such services. We recommend custodians based on the reputation and services provided by the firm. TD Ameritrade and Betterment Securities offer benefits for being a member of XY Planning Network. TD Ameritrade offers custodian service to members of the XY Planning Network with no platform fees or assets under management minimums. Betterment Securities offers a discount of 0.05% of the platform fee for members of XY Planning Network.

#### 1. Research and Other Soft-Dollar Benefits

FT does receive soft-dollar benefits through its relationship with Betterment For Advisors and TD Ameritrade Institutional, Division of TD Ameritrade, Inc., member FINRA/SIPC. These benefits are specifically outlined below.

#### 2. Brokerage for Client Referrals

We receive no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

We do recommend a specific custodian for clients to use, however, clients may custody their assets at a custodian of their choice. Clients may also direct us to use a specific broker-dealer to execute transactions. By allowing clients to choose a specific custodian, we may be unable to achieve most favorable execution of client transaction and this may cost clients money over using a lower-cost custodian. In instances in which we direct a specific broker-dealer to execute transactions, FT may be unable to achieve the most favorable execution, and FT's choice of broker may result in the client paying higher fees and commissions because FT is unable to aggregate orders to reduce transaction costs. The client also may receive less favorable prices. The client is able to request services directly from the outside manager without FT's assistance.

### **The Custodian and Brokers We Use**

FT does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw advisory fees from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We may recommend that our clients use MTG, LLC dba Betterment Securities (“Betterment Securities”), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Betterment Securities. Betterment Securities will hold your assets in a brokerage account and buy and sell securities when we and/or you instruct them to. While we may recommend that you use Betterment Securities as custodian/broker, you will decide whether to do so and will open your account with Betterment Securities by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with Betterment Securities, then we cannot manage your account on Betterment Institutional (defined below).

### **Your Brokerage and Custody Costs**

For our clients' accounts that Betterment Securities maintains, Betterment Securities generally does not charge you separately for custody services, but is compensated as part of the Betterment Institutional (defined below) platform fee, which is a percentage of the dollar amount of assets in the account in lieu of commissions. We have determined that having Betterment Securities execute trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “Factors Used to Select Custodians and/or Broker-Dealers”).

## **Services Available to Us via Betterment For Advisors**

Betterment Securities serves as broker dealer to Betterment For Advisors, an investment and advice platform serving independent investment advisory firms like us (“Betterment For Advisors”). Betterment For Advisors also makes available various support services which may not be available to Betterment’s retail customers. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Betterment For Advisors’ support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. Following is a more detailed description of Betterment For Advisors’ support services:

1. **SERVICES THAT BENEFIT YOU.** Betterment For Advisors includes access to a range of investment products, execution of securities transactions, and custody of client assets through Betterment Securities. Betterment Securities’ services described in this paragraph generally benefit you and your account.
2. **SERVICES THAT MAY NOT DIRECTLY BENEFIT YOU.** Betterment For Advisors also makes available to us other products and services that benefit us, but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts, such as software and technology that may:
  - a. Assist with back-office functions, recordkeeping, and client reporting of our clients’ accounts.
  - b. Provide access to client account data (such as duplicate trade confirmations and account statements).
  - c. Provide pricing and other market data.
  - d. Assist with back-office functions, recordkeeping, and client reporting.
3. **SERVICES THAT GENERALLY BENEFIT ONLY US.** By using Betterment For Advisors, we will be offered other services intended to help us manage and further develop our business enterprise. These services include:
  - a. Educational conferences and events.
  - b. Consulting on technology, compliance, legal, and business needs.
  - c. Publications and conferences on practice management and business succession.

## **Our Interest in Betterment Securities’ Services**

The availability of these services from Betterment For Advisors benefits us because we do not have to produce or purchase them. In addition, we don’t have to pay for Betterment Securities’ services. These services may be contingent upon us committing a certain amount of business to Betterment Securities in assets in custody. We may have an incentive to recommend that you maintain your account with

Betterment Securities, based on our interest in receiving Betterment For Advisors and Betterment Securities' services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Betterment Securities as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Betterment Securities' services and not Betterment Institutional and Betterment Securities' services that benefit only us.

### **The Custodian and Brokers We Use (TD Ameritrade)**

FT participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between FT's participation in the program and the investment advice it gives to its clients, although FT receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving FT participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to FT by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by FT's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit FT but may not benefit its client accounts. These products or services may assist FT in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help FT manage and further develop its business enterprise. The benefits received by FT or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, FT endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by FT or its related persons in and of itself creates a potential conflict of interest and may indirectly influence FT's choice of TD Ameritrade for custody and brokerage services.

### **Aggregating (Block) Trading for Multiple Client Accounts**

Outside Managers used by FT may block client trades at their discretion. Their specific practices are further discussed in their ADV Part 2A, Item 12.

## Item 13: Review of Accounts

Client accounts with the Investment Management Service will be reviewed regularly on an annual basis by Denise A. Downey. During the regular review the account's performance is compared against like-managed accounts to identify any unacceptable performance deviation. Additionally, reasonable client imposed restrictions will be reviewed to confirm that they are being enforced. Events that may trigger a special review would be unusual performance, addition or deletions of client imposed restrictions, excessive draw-down, volatility in performance, or buy and sell decisions from the firm or per client's needs.

Clients will receive trade confirmations from the broker(s) for each transaction in their accounts as well as monthly or quarterly statements and annual tax reporting statements from their custodian showing all activity in the accounts, such as receipt of dividends and interest.

FT will not provide written reports to Investment Management clients.

Clients utilizing the financial planning service, will receive contact on a quarterly basis, and full plan review annually.

## Item 14: Client Referrals and Other Compensation

We do not receive any economic benefit, directly or indirectly from any third party for advice rendered to our clients. Nor do we directly or indirectly compensate any person who is not advisory personnel for client referrals.

## Item 15: Custody

FT does not have custody, except for in the instance of withdrawing client fees. FT sends a copy of the invoice to the custodian or trustee at the same time a copy is sent to the client. The custodian sends quarterly statements to the client showing all disbursements for the custodian account, including the amount of the advisory fees. Clients provide written authorization permitting FT to be paid directly for their accounts held by the custodian or trustee. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to compare the statements they receive from the qualified custodian to the invoices and reports they receive from FT.

## Item 16: Investment Discretion

For those client accounts where we provide investment management services, we maintain discretion over client accounts with respect to securities to be bought and sold and the amount of securities to be bought and sold. Investment discretion is explained to clients in detail when an advisory relationship has commenced. At the start of the advisory relationship, the client will execute a Limited Power of Attorney which will grant our firm discretion over the account. Additionally, the discretionary relationship will be outlined in the advisory contract and signed by the client.

## Item 17: Voting Client Securities

We do not vote Client proxies. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward you any electronic solicitation to vote proxies.

## Item 18: Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.

We do not have custody of client funds or securities or require or solicit prepayment of more than \$500 in fees per client six months or more in advance.

May 2020 Update:

Financial Trex applied for and secured a loan through the federal government's Paycheck Protection Program as part of small business stimulus package released to provide support opportunities for businesses and their employees. The loan was obtained to ensure that we can continue to meet our contractual obligations and maintain operations.

# Item 19: Requirements for State-Registered Advisers

Denise A. Downey (CRD# 4238077)

Born: 1978

## Educational Background

- 2000 – BS in Finance, University of Illinois
- 2018 - MBA in Finance, Washington State University

## Business Experience

- 04/2016 – Present, Financial Trex, LLC, Owner and CCO
- 08/2007 – 02/2015, Fidelity Investments, Senior Account Executive
- 11/2002 – 07/2007, Chase Investment Services Corp, Trade Desk Manager
- 11/2001 – 11/2002, Chicago Stock Exchange, Market Surveillance

## Professional Designations, Licensing & Exams

**CERTIFIED FINANCIAL PLANNER™, CFP®** and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® 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 68,000 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 *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 *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at 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.

#### **Other Business Activities**

Denise A. Downey is not involved with outside business activities.

#### **Performance Based Fees**

Please refer to Item 6 of this brochure.

#### **Material Disciplinary Disclosures**

No management person at Financial Trex, LLC has ever been involved in an arbitration claim of any kind or been found liable in a civil, self-regulatory organization, or administrative proceeding.

**Material Relationships That Management Persons Have With Issuers of Securities**

Financial Trex, LLC, nor Denise A. Downey, have any relationship or arrangement with issuers of securities.

# Financial Trex, LLC

## Form ADV Part 2B – Brochure Supplement

*For*

**Denise A. Downey (CRD# 4238077)**

Owner, and Chief Compliance Officer

Dated January 2, 2020

This brochure supplement provides information about Denise A. Downey that supplements the Financial Trex, LLC (“FT”) brochure. A copy of that brochure precedes this supplement. Please contact Denise A. Downey if the FT brochure is not included with this supplement or if you have any questions about the contents of this supplement.

Additional information about Denise A. Downey is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Educational Background and Business Experience

Please refer to Item 19 of the Form ADV Part 2A.

## Item 3: Disciplinary Information

Please refer to Item 19 of the Form ADV Part 2A.

## Item 4: Other Business Activities

Please refer to Item 19 of the Form ADV Part 2A.

## Item 5: Additional Compensation

Denise A. Downey does not receive any economic benefit from any person, company, or organization, in exchange for providing clients advisory services through FT.

## Item 6: Supervision

Denise A. Downey, as Owner and Chief Compliance Officer of FT, is responsible for supervision. She may be contacted at the phone number on this brochure supplement.

## Item 7: Requirements for State Registered Advisers

1. Denise A. Downey has NOT been involved in any of the events listed below.
  - a. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:
    - i. An investment or an investment-related business or activity;
    - ii. Fraud, false statements, or omissions;
    - iii. Theft, embezzlement, or other wrongful taking of property;

- iv. Bribery, forgery, counterfeiting, or extortion; or
    - v. Dishonest, unfair, or unethical practices.
  - b. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:
    - i. An investment or an investment-related business or activity;
    - ii. Fraud, false statements, or omissions;
    - iii. Theft, embezzlement, or other wrongful taking of property;
    - iv. Bribery, forgery, counterfeiting, or extortion; or
    - v. Dishonest, unfair, or unethical practices.
- 2. Denise A. Downey has NOT been the subject of a bankruptcy petition at any time.