

## Form ADV Part II

### Item 1 – Cover Page

# SCHIAVI + DATTANI

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**March 15, 2020**

This brochure provides information about the qualifications and business practices of SCHIAVI + DATTANI. If you have any questions about the contents of this brochure, please contact us at (302) 994-4444. 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.

SCHIAVI + DATTANI is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide information from which one determines to hire or retain an Adviser.

Additional information about SCHIAVI + DATTANI is available on the firm's website at [www.SDfinancialadvisors.com](http://www.SDfinancialadvisors.com) and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On March 1, 2020, Ravi Dattani, CFP®, CPA assumed the role of President of SCHIAVI + DATTANI and Ryan Cross, CFP® assumed the role of Chief Compliance Officer.

Ryan Cross, CFP and John Melasecca, III, CFP are now principals of the firm. Vincent A. Schiavi, CFP®, CPA/PFS, previously the President, Chief Compliance Officer and majority owner, is serving as a consultant to the firm.

Currently, our brochure may be requested by contacting Ryan Cross, CFP®, the firm’s Chief Compliance Officer, at [rcross@sdfinancialadvisors.com](mailto:rcross@sdfinancialadvisors.com) or (302) 994-4444.

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## **Item 4 – Advisory Business**

### **Financial Planning and Investment Management**

The primary service offered by SCHIAVI + DATTANI combines financial planning and investment management in a carefully integrated process. Financial planning includes: the setting of goals and objectives, a detailed assessment of a client's current situation, the development of specific strategies designed to help a client achieve stated goals, and the communication of specific planning recommendations. Planning includes the review of the financial elements of a client's life, including cash flow, debts, education expense funding, investments, insurance, income taxes, retirement, and estate planning. Investment management is tailored to support specific financial planning objectives. It includes the establishment of an appropriate Investment Policy Statement (IPS), and the design, implementation, and monitoring of the investment portfolio. The service is designed to help clients achieve goals and objectives, taking into consideration their values and stage of life.

The term Financial Plan Management encompasses the integrated services of financial planning and investment management.

Clients receive annual tax planning reviews with specific recommendations. Periodic reviews of net worth statements, existing debt, education expense funding, insurance coverage, retirement feasibility, and estate planning are also performed.

SCHIAVI + DATTANI also helps individual trustees, often surviving spouses or adult children, with their responsibility in making periodic trust distributions.

### **Hourly Consultations**

A consultation can be recommended to a prospective client with resources or needs that are a better match for hourly assistance than the more comprehensive financial planning services.

### **Investment Advisory Services to Qualified Plans, Trusts & Non-Profit Organizations**

Investment advisory services are available to the trustees of certain trusts, qualified retirement plans, and to directors of non-profit organizations. Terms and fees are disclosed in the Service Agreement.

## **Assets Managed**

SCHIAVI + DATTANI managed \$454,876,985 of financial assets on behalf of its clients as of December 31, 2019.

Assets managed on a discretionary basis, as of December 31, 2019, were \$398,571,372.

Assets managed on a non-discretionary basis, as of December 31, 2019, were \$56,305,613.

Please note that all assets managed by SCHIAVI + DATTANI on a discretionary basis are managed in accordance with agreed-upon guidelines found in the client's customized IPS.

## **Item 5 – Fees and Compensation**

Fee schedules are disclosed in advance and, at the discretion of SCHIAVI + DATTANI, may be subject to negotiation.

Financial planning and investment management - The specific way fees are charged is established in a written Service Agreement presented to prospective clients in advance of the service. A deposit is required as consideration for the service agreement. Client or Advisor may terminate this agreement at any time by written notice. If Client or Advisor terminates this agreement within ten days, any initial deposit will be refunded in full.

If Client or Advisor terminates this agreement during a service quarter, client is eligible for a pro-rata refund equal to the unused days in the service period divided by the number of days in the service quarter times the fee paid in advance.

Fees are deducted from client accounts in advance of the service period. Clients receive an invoice showing the amount and account to be billed prior to the processing of the fee. The initial quarterly plan management fee is based on the client's investable assets, as defined in the Service Agreement. Fees range from 0.1% (10 basis points) to 0.2% (20 basis points) per quarter. Subsequent adjustments will be made every two years, or if the fee, as calculated according to the schedule in the Service Agreement, is 20% higher or lower than the current plan management fee being charged.

Alternatively, the Advisor may propose a flat fee structure to better match the needs and resources of the client to the agreed-upon services.

Hourly consultations are billed at rates that vary by the experience and expertise of the advisor. Payment is requested upon completion of the consultation.

SCHIAVI + DATTANI fees are exclusive of brokerage commissions, transaction fees, and other related costs

and expenses incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to SCHIAVI + DATTANI's fee, and SCHIAVI + DATTANI does not receive a share of these commissions, fees, and costs.

Item 12 further describes the factors that SCHIAVI + DATTANI considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

SCHIAVI + DATTANI does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

SCHIAVI + DATTANI offers financial planning and investment advisory services to individuals, including high net worth individuals.

SCHIAVI + DATTANI offers investment advisory services to trusts, retirement plans, and non-profit organizations.

While SCHIAVI + DATTANI has no strict minimum account size, full-service clients tend to have financial assets in excess of \$1 million or have the ability to reach that level quickly through significant annual additions.

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

### **How Client Portfolios Are Designed**

SCHIAVI + DATTANI prepares an Investment Policy Statement (IPS) in cooperation with the client that includes a determination of the client's Risk Tolerance and Risk Capacity. SCHIAVI + DATTANI proposes, and the client must subsequently agree, on an allocation with an estimated maximum loss tolerance expressed as a percentage. SCHIAVI + DATTANI utilizes an industry-leading risk measurement tool to help

approximate and track risk in portfolios as it pertains to the various economic scenarios SCHIAVI + DATTANI believes most likely to impact future results.

The targeted allocation will, in all cases, be a diversified basket of stocks, bonds, alternatives, and real assets. Within each of these major asset classes, strategies will be employed that we anticipate will respond differently to changes in, for example, interest rates and economic growth.

SCHIAVI + DATTANI primarily uses mutual funds to achieve exposure to asset class targets and uses a combination of active and passive strategies. Active management is defined as a style that does not strictly adhere to a market benchmark. SCHIAVI + DATTANI generally favors active managers whose security selections are meaningfully different from the indexes they are benchmarked against.

Once an acceptable pool of active funds is selected, SCHIAVI + DATTANI looks at a manager's track record, amount of assets being managed, expense ratios, and whether or not a manager has his or her own monies invested in the fund before incorporating a particular fund into an investment allocation. All acceptable funds are then compared to each other to make sure recommended funds are meaningfully different. Differences can exist in the areas of style (growth versus value), market capitalization (large, mid, small) and/or investing methodology (quantitative vs. non-quantitative) to name a few. In summary, significant judgment goes into fund selection. Passive funds can also be included in a recommended portfolio to provide targeted market exposure at a minimal cost.

The risk attributes and goals of the client guide SCHIAVI + DATTANI in determining the recommended allocation by risk categories and the proportions of each fund or security included in the portfolio.

### **How Risk Is Approached**

Successful investing involves acknowledging and understanding a wide variety of risks, including, but not limited to, purchasing power risk (inflation), interest rate movements, and the volatility of financial markets.

Risk Tolerance is defined as the client's willingness to tolerate portfolio declines of various magnitudes without disrupting the portfolio allocation. SCHIAVI + DATTANI evaluates a client's risk tolerance initially using a professional assessment tool and over time through the observation of a client's reaction to market volatility.

Risk Capacity is defined as the degree of volatility that is prudent, given client's net contributions or withdrawals from his or her portfolio on an annualized basis. SCHIAVI + DATTANI evaluates a client's risk capacity by reviewing recent contribution and withdrawal activity or, lacking that history, by estimating that activity with input from the client.

Clients generally fall within either the Wealth Accumulation or the Wealth Distribution phase. Clients in

the Wealth Accumulation stage, and able to add to their investment portfolio with consistent contributions, can accommodate more risk. They have the flexibility to adjust savings goals or retirement dates to reflect changing economic factors and goals.

SCHIAVI + DATTANI works with clients in the Wealth Distribution phase by helping them target a cash withdrawal rate that can be sustained during their lifetime. This can only be done after gaining a thorough understanding of the client's goals, objectives, and financial resources.

To measure whether a withdrawal rate is sustainable, SCHIAVI + DATTANI uses a mathematical modeling technique known as Monte Carlo simulation. This tool analyzes whether a withdrawal rate, given various asset class returns and other assumptions, can be sustained over a given period (i.e. life expectancy). It runs multiple scenarios of outcomes from a database of possible returns to build probabilities of financial outcomes.

Clients with projected withdrawal rates that are well within their portfolio's capacity will be matched with somewhat higher investment risk allocations than allocations considered appropriate for clients with more significant withdrawal needs.

The overall objective is to select an investment risk allocation that is in line with a client's risk tolerance and risk capacity, putting the client in the best possible position to achieve primary goals, such as maintaining a reasonable lifestyle and covering health-related costs, and secondary goals, such as leaving a certain amount of assets to heirs.

## **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 SCHIAVI + DATTANI or the integrity of SCHIAVI + DATTANI's management.

SCHIAVI + DATTANI, including its predecessors dating back to 1983, has never been the subject of any legal or disciplinary event or proceedings related to its financial planning or investment advisory services.

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

The main service offered by SCHIAVI + DATTANI combines financial planning and investment management in a carefully integrated process. Financial planning includes the setting of goals and objectives, a detailed assessment of a client's current situation, the development of specific strategies designed to help a client achieve stated goals, and the presentation of a thorough written financial plan.

SCHIAVI + DATTANI does not receive any commissions, equipment, or non-research services from any custodian.

SCHIAVI + DATTANI does not receive any referral fees from any professional as a result of referring clients to them for services.

## **Item 11 – Code of Ethics**

SCHIAVI + DATTANI has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients.

### **SCHIAVI + DATTANI – Code of Ethics**

Recognizing our fiduciary responsibility to clients and the public, we uphold the highest standards of care in the industry by espousing and practicing: Objectivity, Fairness and Suitability, Full Disclosure, Confidentiality, Integrity and Honesty, Professionalism, Competence, and Regulatory Compliance.

- We require that all supervised persons (employees) comply with all applicable Federal securities laws.
- We require that all supervised persons (employees) report their personal securities transactions and holdings on a quarterly basis.
- We require that all supervised person's (employee's) reports of securities transactions and holdings be reviewed by the firm's Compliance Officer.
- We require that the firm's Compliance Officer comply with applicable Federal securities laws.
- We require that all supervised persons (employees) report any violations of our Code of Ethics promptly to our Compliance Officer.
- We require that all supervised persons (employees) receive a copy of our Code of Ethics and any amendments.
- We require that all supervised persons (employees) provide written acknowledgment of their receipt of the code and any amendments.
- We require that all supervised persons (employees) obtain approval before acquiring direct or indirect beneficial ownership in any security in an initial public offering or in a limited offering.

Supervised persons (employees) understand that failure to comply with this Code of Ethics could result in disciplinary measures, including probation without pay or dismissal from employment with SCHIAVI + DATTANI.

### **SCHIAVI + DATTANI – Fiduciary Oath**

SCHIAVI + DATTANI will exercise its best efforts to act in good faith and in the best interests of the client. SCHIAVI + DATTANI will provide written disclosure to the client prior to the engagement of the advisor, and thereafter throughout the term of the engagement, of any conflicts of interest, which will, or reasonably may, compromise the impartiality or independence of SCHIAVI + DATTANI.

SCHIAVI + DATTANI, or any party in which SCHIAVI + DATTANI has a financial interest, does not receive any compensation or other remuneration that is contingent on any client's purchase or sale of a financial product. SCHIAVI + DATTANI does not receive a fee or other compensation from another party based on the referral of a client or the client's business.

### **Item 12 – Brokerage Practices**

The applicant uses the institutional service department of Fidelity Investments as the main consolidating custodial broker for client accounts. The advisor believes that Fidelity offers an excellent combination of trading services, low costs, and technology to support the advisor in meeting the needs of its clients.

SCHIAVI + DATTANI has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides SCHIAVI + DATTANI with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist SCHIAVI + DATTANI in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing, and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping, and client reporting.

Fidelity also offers other services intended to help SCHIAVI + DATTANI manage and further develop its advisory practice. Such services include, but are not limited to, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business-related services and technology with whom SCHIAVI + DATTANI may contract directly.

SCHIAVI + DATTANI is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. SCHIAVI + DATTANI does not receive any compensation from Fidelity as a result of these charges.

Fidelity is providing SCHIAVI + DATTANI 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 ("Exchange Act").

As a result of using the institutional services of Fidelity, the advisors of SCHIAVI + DATTANI have a dedicated service team to respond to inquiries about client accounts. SCHIAVI + DATTANI has, in the past, been able to negotiate discounted transaction fees for clients using Fidelity. There is no guarantee that these discounts will continue.

## **Item 13 – Review of Accounts**

### **Reviews**

In addition to the financial planning reviews described in Item 4, investment accounts are reviewed on a continuous basis to make sure they adhere to each client's specific Investment Policy Statement. We utilize technology to help manage this process.

Investment Policy Statements are reviewed, and updated if necessary, as a result of a material change in the client's goals or circumstances.

### **Reviewers**

Members of the firm's professional staff of CFPs and CPAs are involved in the preparation of financial plans and Investment Policy Statements. The professional staff also performs research and prepares recommendations on planning topics and investments.

Planning ideas and investment direction are discussed and concluded upon by members of the professional staff and supervised by the firm's principals.

## **Nature and Frequency of Reports to Clients**

Clients receive monthly statements from their investment custodians. SCHIAVI + DATTANI prepares and delivers a consolidated household investment summary on a quarterly basis. Clients periodically receive an in-house produced newsletter, as well as other correspondence during the year as needed.

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

SCHIAVI + DATTANI does not receive any referral fees from any professional as a result of referring clients to them for services.

SCHIAVI + DATTANI does not compensate any person or entity for prospect referrals.

## **Item 15 – Custody**

According to SEC guidelines, SCHIAVI + DATTANI is considered to have custody on a limited number of investment accounts in its role as trustee and as a result of having login credentials voluntarily provided by clients. These credentials allow the advisor to obtain balances and activity, which are used to update the advisor's portfolio reporting system. In addition, these credentials allow the advisor to execute investment moves consistent with an agreed upon Investment Policy Statement.

The advisor urges clients to carefully review statements from custodians and compare them to SCHIAVI + DATTANI reports. These reports may vary slightly as a result of accounting procedures, reporting dates, or the valuation methodologies of certain securities.

SCHIAVI + DATTANI has engaged an independent accounting firm authorized by the SEC to perform surprise examinations on all accounts the firm is considered to have custody over.

The SEC may also consider SCHIAVI + DATTANI to have custody resulting from its ability to move money from client brokerage accounts to other client accounts and to pre-approved third-party recipients. SCHIAVI + DATTANI believes that Fidelity, its brokerage custodian, is following the SEC Division of Investment Management guidelines in handling those accounts.

## **Item 16 – Investment Discretion**

SCHIAVI + DATTANI usually receives discretionary authority from clients at the outset of an advisory relationship to select securities that meet the mutually agreed guidelines found in the Investment Policy Statement.

Trading authority may be granted by clients to SCHIAVI + DATTANI as a result of opening institutional level brokerage accounts with independent custodians, but discretionary trading is not exercised by SCHIAVI + DATTANI unless specifically authorized by the client in the Service Agreement.

## **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, SCHIAVI + DATTANI does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. If requested, SCHIAVI + DATTANI may provide advice to clients regarding proxy voting matters.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SCHIAVI + DATTANI's financial condition.

SCHIAVI + DATTANI knows of no financial condition or commitment that would impair its ability to meet contractual and fiduciary commitments to clients, nor has it been the subject of a bankruptcy proceeding.