



Firm Brochure (Part 2A of Form ADV)

The *Firm Brochure* provides information about the qualifications and business practices of Covey & Covey. If you have questions regarding the contents of this Brochure, please contact us at 858-653-4800. This *Firm Brochure* has not been reviewed or approved by the U.S. Securities & Exchange Commission, any state regulatory agency or self-regulatory organization.

Covey & Covey refers to itself as a “registered investment advisor” or “RIA” Clients should be aware that registration itself does not imply any level of skill or training.

Additional information about Covey & Covey is available on the SEC’s website at www.adviserinfo.sec.gov (the CRD number for Covey & Covey is 135454).

Item 2 Material Changes

The SEC adopted “Amendments to Form ADV” in July 2010. This Firm Brochure dated November 2018 is our new disclosure document prepared according to the SEC’s new requirements and rules.

Covey & Covey
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Phone (858) 653-4800

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Item 4 Advisory Business

Introduction

Covey & Covey (hereafter “Covey & Covey”), is a State registered; fee-based investment adviser that offers Financial Planning Services.

Covey & Covey was formed in 1982 by Betty Covey (deceased) and Kathleen Covey a unique Mother - Daughter partnership. Ms. Covey became the sole owner of Covey & Covey when Betty Covey retired. The experience, education and background of Ms. Covey can be found in the accompanying *Brochure Supplement* document.

Covey & Covey is a Sole Proprietorship owned wholly by Kathleen Covey.

Initial Consultation

Covey & Covey provides financial planning services. Financial planning is a comprehensive evaluation of a client’s current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. All questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. The client receives a written report (plan) providing the client with detailed financial plan designed to assist the client achieve their individual financial goals and objectives. The financial planning process will begin with an initial consultation. There may be a \$250 charge for the initial consultation which may be applied to financial planning charges.

Financial Planning Services

Covey & Covey believes it is important for any client seeking personal financial health to begin with a plan were personal goals are quantified, resources outlined, and an initial plan of action specified. We offer comprehensive financial planning, but do not require a client to engage in a comprehensive plan. The client and the financial advisor will determine the direction and scope of the financial plan.

The preparation of a financial plan necessitates the client provide personal data such as financial records and reports, tax returns, family records, budget information, current holdings, estate information, employee benefit package, current estate planning documents.

The financial plan may include any or all the following as determined by the client and advisor; asset protection, tax planning, cash flow, education planning, estate planning, wealth transfer, long-term care and disability planning, retirement planning, insurance planning, asset allocation comparisons and risk management.

Comprehensive Financial Plan

Covey & Covey will review all aspects of the Client's finances to prepare a written financial plan that makes recommendations to help the Client meet their financial objectives. The areas of analysis may include: define financial goals, needs and objectives; overall asset allocation; insurance needs; mortgage planning; consumer debt; retirement planning; college planning; trust and estate planning; survivor needs; savings and budgeting and tax planning.

Covey & Covey will compile the financial information as provided by the Client. The Client is responsible for providing accurate and comprehensive information to Covey & Covey. The accuracy of this information will have a direct bearing on the accuracy of the plan. Each financial plan is specifically prepared for the individual client and their needs.

Clients can execute the Financial Plan recommendations on their own or Kathleen Covey may assist in implementation. The Client is under no obligation to implement any of the recommendations. Should the Client choose to implement any portion of the Financial Plan, Client is not required to implement through Kathleen Covey or any associated person.

Covey & Covey does not participate in wrap fee programs nor manages client assets. Kathleen Covey as an investment advisor representative may participate in the selection and monitoring of third-party money managers if it is appropriate for the client based upon their objectives, risk tolerance, investment philosophy, and account size.

Annual Financial Plan Review

As financial conditions or objectives change over time, Clients should engage Covey & Covey to review their financial plan annually. An annual review confirms the Client's financial information is accurate, evaluates whether the financial plan is reaching its goals and makes any revisions required. Clients may also raise new objectives or discuss other financial topics of their choice during the annual review. If Clients experience life-changing events, they may initiate an Annual Financial Plan Review earlier than the typical annual time frame.

Separate Financial Planning Consultation

If Clients need to consult with Covey & Covey outside of the initial consultation(s) that led to their Comprehensive Financial Plan and before their Annual Financial Plan Review, Clients may engage Covey & Covey on a limited basis. Covey & Covey is available through a Separate Financial Planning Consultation to make changes to a Comprehensive Financial Plan or discuss a specific financial topic.

Item 5 Fees and Compensation

Fees for Financial Planning Services

For Comprehensive Financial Plans and Annual Financial Plan Reviews, Covey & Covey charges a fixed fee; for Separate Financial Planning Consultations, Covey & Covey charges an hourly fee. Lower fees for comparable services may be available from other sources.

<u>Financial Planning Service</u>	<u>Fee Type and Amount</u>
Comprehensive Financial Plan	\$1,000 - \$2,500 +
Annual Financial Plan Review	\$750 fixed fee
Separate Financial Planning Consultations	\$250 hourly fee

Covey & Covey may negotiate its fixed fee amount for Comprehensive Financial Plans based on the complexity of the financial plan. The standard financial plan takes approximately 20 hours to prepare; plans that take significantly less time may negotiate a lower fee; those plans that take significantly longer may be charged a higher fee. The final amount will be specified in the *Investment Advisory Agreement*.

The fixed fees for *Annual Financial Plan Reviews* and the hourly rate for *Separate Financial Planning Consultations* are both non-negotiable. If the *Annual Financial Plan Review* or *Separate Financial Planning Consultation* finds that a new *Comprehensive Financial Plan* needs to be prepared and Client engages Covey & Covey to prepare the Financial Plan, Clients will be charged for a new *Comprehensive Financial Plan*.

One half the financial planning fee is due upon the signing of the *Investment Advisory Agreement*; the remainder is due upon delivery of the *Comprehensive Financial Plan* or the *Annual Financial Plan Review*. Hourly fees are charged at the conclusion of the *Separate Financial Planning Consultation*. Financial planning fees are charged in arrears after the services have been performed, Covey & Covey does not offer refunds. If a Client chooses to terminate Financial Planning Services before the plan is delivered or service complete, Covey & Covey will charge a prorated amount for the work completed and will deliver any work product completed.

Covey & Covey will include an invoice upon delivery of the *Comprehensive Financial Plan* or *Annual Financial Plan Review* or at the conclusion of the *Separate Financial Planning Consultation*. This invoice is due upon delivery.

Other Compensation

In addition to financial planning fees described above, Kathleen Covey is a registered representative of Independent Financial Group (a registered broker-dealer) in all securities transactions. Securities transactions could include stocks, bonds, mutual funds, real estate investment trusts and other direct participation programs. Kathleen Covey may receive securities commissions or fees for securities transactions. Covey & Covey may suggest that Clients utilize the services of Kathleen Covey as a registered representative to complete securities transactions, but only when not acting as a Registered Investment Advisor.

A Client of Covey & Covey will never pay a higher commission or fee on transactions than normally charged through another registered broker-dealer. Kathleen Covey may discount securities transactions, particularly if reinvestment involves another security that would possibly involve commissions or fees. All brokers charge commissions or fees for their services. These charges are normal and customary and will be paid for these transactions whether you implement through Kathleen Covey. The Client is under no obligation to use Kathleen Covey in any securities transactions.

Kathleen Covey is also licensed as an insurance agent to sell insurance products and may receive insurance commissions for the sale of those insurance products. Please be aware Independent Financial Group assumes no liability and makes no judgments of any kind in non-securities areas.

This creates a conflict of interest and may offer Kathleen Covey an incentive to recommend securities or insurance products that produce commissions or fees. Ms. Covey will disclose any commission or fee prior to completing any transaction. The Clients always have the option to purchase securities or insurance products through other brokers or agents not affiliated with Covey & Covey.

Any securities or insurance commissions/fees will be in addition to the advisory fees and Covey & Covey will not reduce advisory fees for Clients that purchase securities or insurance products through Kathleen Covey.

Any material conflicts of interest regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice have been disclosed.

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

Covey & Covey does not charge performance-based fees (fees based on gains). No Clients' accounts will be managed side-by-side any performance-based accounts.

Item 7 Types of Clients

Individuals: The majority of Covey & Covey's Clients are individuals seeking financial planning services for their personal finances. Covey & Covey may also provide financial planning services for small corporations, partnerships, trusts and qualified employee retirement plans. No minimum account size required.

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

Covey & Covey will ask for copies of documents relating to Client's current financial position. Covey & Covey will conduct an in-depth interview to define the Client's personal and financial goals; to determine how the Client feels about risk; discuss past financial experience. The Client's information is analyzed to assess the Client's current situation and determine what the Client must do to meet their goals. Covey & Covey analyzes the Client's assets, liabilities, cash flow, current insurance coverage, investments and tax strategies. The analysis identifies strengths and weaknesses in the Client's present financial situation. It also outlines alternatives to improve their current finances based upon the Client's goals and objectives.

Covey & Covey utilizes a broad spectrum of resources to develop the Client's investment recommendations. Some of the resources are: daily market information, economic reports, educational webinars, annual reports, and computer data bases, online services such as Morningstar, Standard & Poor's, and on-going press coverage of investment products by key business and financial media. Investment strategy is directed to overall portfolio balance and risk. Each Client's individual goals, risk tolerance, financial resources, knowledge and time frame are utilized to develop an investment strategy.

Item 9 Disciplinary Information

No disciplinary disclosures. Prospective Clients can view the CRD records (registration records) for Covey & Covey or Kathleen Covey through the SEC's Investment Adviser Public Disclosure (IAPD) website at www.adviserinfo.sec.gov or through FINRA's BrokerCheck database online at www.finra.org/brokercheck. Kathleen Covey is a registered representative of a broker-dealer. The CRD number for Covey & Covey is 135454 and Kathleen Covey's CRD number is listed alongside her biographical information in the accompanying Brochure Supplement document.

Item 10 Other Financial Industry Activities and Affiliations

Kathleen Covey (the Principal) is a registered securities representative of Independent Financial Group, a registered broker-dealer, member of Financial Industry Regulatory Authority, Inc. ("FINRA"). Ms. Covey is also an investment adviser representative for Independent Financial Group. In addition, Ms. Covey is an insurance agent of various insurance companies. In these capacities, Ms. Covey may recommend securities, insurance, advisory or other products and receive normal securities transactions commissions or insurance commissions if products are purchased through any firm Ms. Covey is affiliated. When recommendations or sales are made, a conflict of interest exists as Ms. Covey may earn securities or insurance commissions for the sale of those products, which may create an incentive to recommend the products. Covey & Covey requires that Kathleen Covey disclose this conflict of interest when such recommendations are made. Covey & Covey requires Ms. Covey to disclose that Clients may purchase recommended insurance products from other securities brokers or insurance agents not affiliated with Covey & Covey.

Covey & Covey Clients will never pay a higher commission on transactions than normally charged through a registered broker-dealer. Covey & Covey may also discount securities transactions, particularly if reinvestment involves another security that would possibly involve another commission.

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

Code of Ethics

Pursuant to SEC Rule 204A-1, Covey & Covey has a Code of Ethics that promotes the fiduciary duty of Covey & Covey and its Investment Advisory Reps (IA Rep). The Code of Ethics articulates the importance of trust as a foundation to the relationship between an investment adviser and its Clients and establishes policies and procedures to ensure that Covey & Covey and its IA Rep place the interests of the Clients first. The Code of Ethics requires Covey & Covey and its IA Rep adhere to all applicable securities and related laws and regulations. The Code of Ethics also requires Covey & Covey and its IA Rep follow industry "best practices" involving: confidential information, suitability of investments, personal trading on the part of Covey & Covey and its IA Rep, outside business activities of IA Rep, and the disclosure of conflicts of interest.

Kathleen Covey is also bound by the Code of Ethics from the Board of Certified Financial Planners. A copy of the CFP Code of Ethics is available at www.cfp.net.

A copy of Covey & Covey's Code of Ethics is available upon request for any Client or prospective Client.

Item 12 Participation or Interest in Client Transactions and Personal Trading

While Covey & Covey has no proprietary interest in Client transactions, its IA Rep (Kathleen Covey) may have a financial interest in those recommended transactions that involve the purchase of securities or insurance products. As explained in the “Other Financial Industry Activities and Affiliations” section (page 6), Kathleen Covey is a securities registered representative; an investment adviser representative for Independent Financial Group and a licensed insurance agent. As an IA Rep of Covey & Covey, Kathleen Covey may recommend securities and insurance products and may also, as a securities registered representative and licensed insurance agent, sell those recommended securities and/or insurance products to Advisory Clients. When such recommendations or sales are made, a conflict of interest exists as Kathleen Covey may earn securities or insurance commissions for the sale of those products, which may create an incentive to recommend such products. Covey & Covey requires all IA Reps disclose this conflict of interest when such recommendations are made. Covey & Covey also requires IA Reps to disclose that Advisory Clients may purchase recommended securities or insurance products from other securities representatives or insurance agents not affiliated with Covey & Covey.

IA Reps of Covey & Covey may have an interest in Client transactions as they may personally invest in the same securities recommended to Advisory Clients. These transactions involve a conflict of interest as Covey & Covey or IA Reps may benefit from an increase in price from subsequent purchases of Advisory Clients. To address this conflict of interest, Covey & Covey and its IA Reps will adhere to the following procedures regarding their personal trading:

- 1) Client transactions will always be placed ahead of those for Covey & Covey, its management, and its IA Reps;
- 2) Covey & Covey and its IA Reps will mostly recommend investments that are widely traded;
- 3) In the rare instance where private placement offerings are recommended to Clients and an IA Rep also has an ownership interest in the private offering, full disclosure will be given so the Client fully understands that conflict of interest;
- 4) Neither Advisory Clients nor IA Reps will have enough funds invested in any given security to move the market in that particular security.

Item 13 Review of Accounts

Covey & Covey reviews the Client's account in the initial preparation of the *Financial Plan* and may review the Client's accounts during a *Separate Financial Planning Consultation*. Financial Planning Clients are encouraged to meet with Covey & Covey at least once per year to review their account, ensuring that their financial plan aligns with their current financial condition, goals and objectives. Plans may be updated as fundamental factors change and at the Clients complete discretion. Client's investment portfolio will normally be monitored and reports prepared quarterly.

Item 14 Client Referrals and Other Compensation

Covey & Covey does not compensate other financial professionals (e.g. accountants, tax preparers) to refer clients to Covey & Covey.

Item 15 Custody

Covey & Covey is not a custodian of Clients accounts nor do they maintain Clients accounts. Covey & Covey will not have physical custody of Clients' assets, monies or securities.

Item 16 Investment Discretion

Financial planning services are advisory in nature and no discretionary powers or authority are given to any individual or associates of Covey & Covey.

Item 17 Voting Client Securities

For any security that entails a voting right in the underlying company, Covey & Covey will not have or accept authority to vote Client securities. All voting issues, proxies and solicitations will be communicated to Advisory Clients through the Client's broker-dealer/custodian. Upon request, Covey & Covey may help explain or answer questions regarding a given voting issue.

Item 18 Financial Information

Covey & Covey does not under any circumstances require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

There are no financial conditions that would reasonably impair the ability of Covey & Covey to meet the contractual commitments to our clients. Covey & Covey has not been the subject of a bankruptcy petition at any time during the past ten years.

Covey & Covey does not solicit or manage assets of plans or programs of government entities.

Item 19 Requirements for State-Registered Advisers

Covey & Covey has one principal executive officer (or management person): Kathleen Covey. Her biographical information is given on the attached *Brochure Supplement* document.

Under the “Fees and Compensation” section of the *Firm Brochure*, the subsection titled “Other Compensation” explains that IA Reps of Covey & Covey may also be licensed as security registered representative and licensed as an insurance agent and may receive insurance commissions for the sale of insurance products. This activity and the conflicts of interest associated with it are discussed at great length in the “Other Compensation” subsection on page 4 of this *Firm Brochure*.

Covey & Covey would be required to disclose additional information if it: were to charge performance-based fees; had any other relationship or arrangement with any issuer of securities; or was ever found liable in either: (a) an arbitration or (b) a civil, self-regulatory organization, or administrative proceeding. None of these apply to Covey & Covey, its management person or IA Rep, Covey & Covey has no information to disclose in these regards.

Covey & Covey

Brochure Supplement

(Part 2B of Form ADV)

This brochure supplement provides information about Kathleen Covey's education and experience. Please contact our office if you did not receive our brochure or if you have any questions about the contents of this supplement. This Supplement has not been reviewed or approved by the U.S. Securities & Exchange Commission, any state regulatory agency or self-regulatory organization.

Covey & Covey
503 Forrest Bluff
Encinitas, California 92024
Phone (858) 653-4800

Item 1 Kathleen Covey, CFP® Born in 1952

Item 2 Education Background and Business Experience

Bachelor of Science – Oregon State University, 1977
Community College Lifetime Teaching Credential

12/03/1979 – present	Registered Representative Series 1
08/16/1980 – present	General Securities Representative Series 7
07/12/1983 – present	Registered Principal
09/19/1995 – present	Series 63
05/25/2000 – present	Series 66
1982 – present	Certified Financial Planner
1979 – present	Licensed Insurance Agent

The 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 several other countries for it (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 62,000 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).
- ❖ Ethics – Agree to be bound by CFP® Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards of 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 every two years, including two hours of 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.
- ❖ 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 interest 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.

Ms. Covey has conducted financial planning seminars for groups, organizations and classes including National University, Zoological Society of San Diego, Cubic Corp and many others. She has taught for San Diego Community College District, San Diego State University extended studies, and University of California, La Jolla extension.

Ms. Covey has served as an expert witness in security cases.

Item 3 Disciplinary Information

Clients and prospective Clients can view the CRD records (registration records) for Covey & Covey or Kathleen Covey through the SEC’s Investment Adviser Public Disclosure (IAPD) website at www.adviserinfo.sec.gov or through FINRA’s BrokerCheck database online at www.finra.org/brokercheck. Kathleen Covey is a registered representative of a broker-dealer. The CRD number for Covey & Covey is 135454 and Kathleen Covey’s CRD number is listed alongside her biographical information in the accompanying Brochure Supplement document.

Item 4 Other Business Activities

Kathleen Covey - Registered Representative with Independent Financial Group
 Investment Adviser Representative with Independent Financial Group
 Licensed Insurance Agent

Item 5 Additional Compensation

Kathleen Covey is a registered representative of Independent Financial Group (a registered broker-dealer) in all securities transactions. Securities transactions could include stocks, bonds, mutual funds, real estate investment trusts and other direct participation programs. Kathleen Covey may receive securities commissions or fees for securities transactions. Covey & Covey may suggest that Clients utilize the services of Kathleen Covey as a registered representative to complete securities transactions, but only when not acting as a Registered Investment Advisor.

A Client of Covey & Covey will never pay a higher commission or fee on transactions than normally charged through another registered broker-dealer. Kathleen Covey may discount securities transactions, particularly if reinvestment involves another security that would possibly involve commissions or fees. All brokers charge commissions or fees for their services. These charges are normal and customary and will be paid for these transactions whether you implement through Kathleen Covey. The Client is under no obligation to use Kathleen Covey in any securities transactions.

Ms. Covey is an Investment Adviser Representative with Independent Financial Group and may receive fees from Third-Party money managers.

Kathleen Covey is also licensed as an insurance agent to sell insurance products and may receive insurance commissions for the sale of those insurance products. Please be aware Independent Financial Group assumes no liability and makes no judgments of any kind in non-securities areas.

This creates a conflict of interest and may offer Kathleen Covey an incentive to recommend securities or insurance products that produce commissions or fees. Ms. Covey will disclose if a commission or fee may be earned prior to any transaction. The Clients always have the option to purchase securities or insurance products through other brokers or agents not affiliated with Covey & Covey.

Any securities or insurance commissions or fees will be in addition to the advisory fees and Covey & Covey will not reduce advisory fees for Clients that purchase securities or insurance products through Kathleen Covey.

Item 6 Supervision

Kathleen Covey, President of Covey & Covey supervises all activities of Covey & Covey.

Item 7 Requirements for State-Registered Advisers

Covey & Covey has one principal executive officer (or management person): Kathleen Covey. Her biographical information is above in Items 1 & 2.

Under the “Fees and Compensation” section of the *Firm Brochure*, the subsection titled “Other Compensation” explains that Kathleen Covey is licensed as security registered representative and may receive commissions for security sales. Ms. Covey is licensed as an insurance agent and may receive insurance commissions for the sale of insurance products. This activity and the conflicts of interest associated with it are discussed at great length in the “Other Compensation” subsection on page 4 of this *Firm Brochure*.

Kathleen Covey does not charge performance-based fees; has no other relationship or arrangement with any issuer of securities; nor has she ever been found liable in either: (1) an arbitration or (2) a civil, self-regulatory organization, or administrative proceeding. Kathleen Covey has no information to disclose in these regards.

Ms. Covey has not been subject of a bankruptcy petition.