



**WISDOM TO LIVE & GIVE WELL**

Form ADV Part 2A

(Firm Brochure)

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This Brochure provides information about the qualifications and business practices of Cornerstone Financial Management LLC, "CornerstoneFM". If you have any questions about the contents of this Brochure, please contact us at (800) 527-1238. 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.

Cornerstone Financial Management LLC is registered as an Investment Adviser with the Commonwealth of Massachusetts, the State of Rhode Island, the State of Connecticut, and the State of Texas. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about CornerstoneFM 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, 140967. Clients can obtain the disciplinary history of Cornerstone Financial Management LLC, or its representatives, from the Massachusetts Securities Division upon request via phone (617) 727-3548 or email [msd@sec.state.ma.us](mailto:msd@sec.state.ma.us).

## Item 2: Material Changes

Since the previous annual filing of the Form ADV Part 2A for CornerstoneFM in May 2023, the following material changes have been made to this version of the Disclosure Brochure:

- As described in Item 4, CornerstoneFM may utilize an independent sub-advisor to provide access to tax-managed direct index investments.

# Item 3: Table of Contents

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# Item 4: Advisory Business

## **Description of Advisory Firm**

Cornerstone Financial Management LLC (“CornerstoneFM” or “we/us”) is registered as an Investment Adviser with the Commonwealth of Massachusetts, the State of Rhode Island, the State of Connecticut, and the State of Texas. CornerstoneFM was founded in 2006 and headquartered in Massachusetts. Theodore Yoos, Kevin Arruda, and George Newfield are the principal owners of CornerstoneFM. CornerstoneFM provides Investment management Services for approximately \$78.4 million in discretionary assets and \$1.4 million in nondiscretionary assets as of December, 30 2022.

## **Types of Advisory Services**

### **Ongoing Comprehensive Financial Planning**

This service involves working one-on-one with a planner over an extended period of time. By paying a fixed annual fee billed monthly or quarterly fee, Clients get to work with a planner who will work with them to develop and implement their plan. The planner will monitor the plan, recommend any changes and ensure the plan is up to date.

Upon engaging us for ongoing financial planning, 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, charitable giving, insurance, investments, tax planning, college planning, 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. Any needed updates will be implemented at that time.

### **Investment Management Services**

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 targets. We will also review and discuss a Client's prior investment history, as well as family composition and background. These accounts will be managed on a discretionary basis. Accounts over which CornerstoneFM has discretionary authority will be identified in an Investment Policy Statement.

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.

Account supervision is guided by the stated objectives of the Client (e.g., 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.

We also have the capability to provide discretionary management for certain investments not held at the client's brokerage account through an Order Management System to implement asset allocation or rebalancing strategies on behalf of the client. These are primarily 401(k) accounts, 529 plans, variable annuities, and similar accounts. These accounts may also be managed on a non-discretionary basis, where we regularly review the current holdings and available investment options in these accounts, monitor the accounts, and provide recommendations to the Client with regards to rebalancing and implementing our strategies as necessary.

### **Investment Management Services through the Use of Outside Managers**

In appropriate cases, CornerstoneFM will request a Client's authorization to utilize an independent Sub-Advisor ("Sub-Advisor") to invest the account in a "direct index", i.e., an investment directly in all (or a representative component) of the securities in a published index (e.g., S&P 500). Cornerstone will select the index or indexes to be utilized based on the Client's Investment Policy Statement, including any restrictions or filters which Client has selected. This arrangement enables the Sub-Advisor to manage the periodic rebalancing of the account in a tax-efficient manner. The Sub-Advisor's fee will be in addition to CornerstoneFM's fee, and will be deducted directly from the account. Cornerstone will deliver to such Clients the sub-advisor's Brochure on Form ADV 2A. CornerstoneFM will actively monitor the performance of the account.

We offer the use of outside unaffiliated managers ("Outside Managers") for certain 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.

### **Investment Consulting Services**

At the discretion of CornerstoneFM, certain clients may receive Investment Consulting Services for investment accounts not receiving Investment Management Services. Investment Consulting Services include an analysis and investment recommendations for those accounts. Clients receiving Investment Consulting Services are solely responsible for the implementation of all investment recommendations, and do not receive any investment performance reports for these accounts.

### **Employee Benefit Plan Services**

Our firm may provide employee benefit plan services to employer plan sponsors on an ongoing basis. Generally, such services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan structure, and participant education.

In providing employee benefit plan services, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs.

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

We may provide seminars for groups seeking general advice on investments and other areas of personal finance. The content of these seminars will vary depending upon the needs of the attendees. These seminars 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 CornerstoneFM provide individualized investment advice to attendees during these seminars.

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

Our services are tailored to the individual needs of our Clients. Clients are able to specify, within reason, any limitations they would like to place on discretionary authority as it pertains to individual securities and/or sectors that will be traded in their account. All such requests must be provided to CornerstoneFM in writing. CornerstoneFM will notify Clients if they are unable to accommodate any requests.

### **Wrap Fee Programs**

We do not participate in wrap fee programs.

## **Item 5: Fees and Compensation**

Below is a brief description of our fees. Clients should review their Client Contract for more detailed information.

### **Ongoing Comprehensive Financial Planning**

Ongoing Comprehensive Financial Planning clients will be charged a fixed annual fee billed monthly or quarterly. The amount of the fee shall be based on the Client's personal financial circumstances, such as income and investments, and may range as high as \$2,500 per month (or up to \$7,500 per quarter). The fee is subject to a 3.0% annual increase. The Advisor shall notify the Client in writing of the adjusted fee amount at least 30 days prior to the effective date. At CornerstoneFM's discretion, the fee may be negotiated or may be waived based upon the amount of assets under management at CornerstoneFM.

### **Investment Management Services**

Except as otherwise provided below, Clients receiving Investment Management Services ("IMS") will be charged a fee based on the market value of the assets under management (calculated according to the table below). IMS fees are paid in advance on a monthly or quarterly basis. The IMS fee is a blended fee and is calculated by assessing the percentage rates using the predefined levels of assets as of the last day of the previous billing period as shown in the above chart resulting in a combined weighted fee.

Effective March 23, 2023, our IMS fees are:

Account Value	Annual Advisory Fee
First level: \$0 up to \$3,000,000	1.00%, plus:
Second level: \$3,000,001 - \$5,000,000	0.85%, plus:
Third level: \$5,000,001 - \$7,500,000	0.75%, plus:
Fourth level: \$7,500,001 - \$10,000,000	0.68%, plus:
Fifth level: 10,000,001 - \$999,999,999	0.50%

For example, an account valued at \$7,000,000 would pay an effective fee of 0.89% with the annual fee of \$62,000. The quarterly fee is determined by the following calculation:  $((\$3,000,000 \times 1.00\%) + (\$2,000,000 \times 0.85\%) + (\$2,000,000 \times 0.75\%)) \div 4 = \$15,500$ . These rates will apply to all new accounts. For existing accounts, no increase in the annual IMS fee rates shall be effective without agreement from the Client by signing a new agreement or amendment to their current advisory agreement.

Please note: The value of the Client's held-away assets that are managed by CornerstoneFM are included in the Account Value.

Fee rates may be negotiable in certain cases, at our sole discretion

### **Alternative Fixed IMS Fee**

In certain cases, CornerstoneFM may negotiate a fixed fee billed monthly or quarterly with IMS clients who have engaged us to manage all or substantially all of their investable assets. Such arrangements shall be made at the sole discretion of CornerstoneFM. Generally, a fixed fee for Investment Management Services may range from \$5,000 to \$25,000 depending on the complexity of the client's accounts and the client's specific needs. The fee is subject to a 3.0% annual increase. The Advisor shall notify the Client in writing of the adjusted fee amount at least 30 days prior to the effective date.

IMS Advisory 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 prorated fee based on the amount of time remaining in the billing period. An account may be terminated with written notice at least 30 calendar days in advance. Upon termination of the account, any unearned fee will be refunded to the Client.

### **Investment Consulting Services**

Fees for Investment Consulting Services consists of an ongoing annual fee ranging from \$1,000 to \$25,000 that is paid either monthly or quarterly, in advance. The fee is subject to a 3.0% annual increase. The Advisor shall notify the Client in writing of the adjusted fee amount at least 30 days prior to the effective date. The fee may be negotiable in certain cases. Fees for this service may be paid by electronic funds transfer, check, or direct debit from the Client's investment account(s).

### **Minimum Fee**

The minimum fee for combined Ongoing Comprehensive Financial Planning and Investment Management Services is \$5,000 on an annual basis. For Clients with investment portfolios valued at less than \$500,000, the minimum fee will result in an effective annual fee rate of greater than 1.00%.

### **Payment/ Termination/ Prorated Fees**

Fees may be directly debited from the Client's account, with the client's authorization. Fees may also be paid by electronic funds transfer or check.

The Client Contract or any service thereunder may be terminated by either the Client or CornerstoneFM by giving 30 days' notice in writing to the other party. Services or accounts initiated or terminated during a calendar

month/quarter (as applicable) will be charged a prorated fee based on the amount of time remaining in the billing period, and any paid but unearned fees will be refunded to the Client.

### **Employee Benefit Plan Services**

CornerstoneFM is compensated for employee benefit plan services by a fixed fee that is customized based on several factors including, but not limited to the amount of plan assets, number of participants, and amount of education to be provided. The fee may range from \$3,000 to \$33,000. CornerstoneFM's fee is separate from other fees for plan services, such as fees charged by custodians or third-party-administrators. Fees for this service are either paid directly by the plan sponsor or deducted directly from the plan assets by the Custodian on a quarterly basis, and CornerstoneFM's fee is remitted to CornerstoneFM.

### **Educational Seminars/ Speaking Engagements**

Seminars and Speaking Engagements are offered to organizations and the public on a variety of financial topics. Fees range from free to \$10,000 per seminar or free to \$300 per participant. Half of the fees are due at the time of engagement, and the other half is to be paid no later than the conclusion of the Seminar. The fee range is based on the content, amount of research conducted, the number of hours of preparation needed, and the number of attendees.

Educational Seminars and Speaking Engagements may be provided pro-bono at CornerstoneFM'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.

When an Outside Manager is used, the separate investment advisory agreement shall govern the Outside Manager's fees, billing terms and methods of payment.

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.

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

We do not offer performance-based fees. We will not be compensated on the basis of a share of capital gains or upon capital appreciation of client funds (or any portion of client funds).



## Item 7: Types of Clients

We provide financial planning and portfolio management services to individuals, high net-worth individuals, pension and profit sharing plans, charitable organizations, and corporations or other businesses.

We do not have a minimum account size requirement.

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

### Modern Portfolio Theory (“MPT”)

The underlying principles of MPT are:

- Investors are risk averse. The only acceptable risk is that which is adequately compensated by an expected return. Risk and investment return are related and an increase in risk requires an increased expected return.
- Markets are efficient. The same market information is available to all investors at the same time. The market prices every security fairly based upon this equal availability of information.
- The design of the portfolio as a whole is more important than the selection of any particular security. The appropriate allocation of capital among asset classes will have far more influence on long-term portfolio performance than the selection of individual securities.
- Investing for the long-term (preferably longer than ten years) becomes critical to investment success because it allows the long-term characteristics of the asset classes to surface.
- Increasing diversification of the portfolio with lower correlated asset class positions can decrease portfolio risk. Correlation is the statistical term for the extent to which two asset classes move in tandem or opposition to one another.

**Use of Outside Managers:** We may refer Clients to Outside Managers, to assist in the portfolio management process. Our analysis of Outside Managers involves the examination of the experience, expertise, investment philosophies, and past performance over a period of time and in different economic conditions. We monitor the manager's performance, underlying holdings, adherence to its 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. There is no guarantee that the Outside Manager will continue to be successful in the future.

### Passive Investment Management

When appropriate, we practice passive investment management. Passive investing involves building portfolios that are composed of various distinct asset classes. The asset classes are weighted in a manner to achieve the 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.

### **Values-Based Investing**

CornerstoneFM may utilize various socially conscious investment approaches if a client desires. CornerstoneFM may construct portfolios that utilize mutual funds, ETFs, or individual securities with the purpose of incorporating socially conscious principles into a client's portfolio. These portfolios may sometimes also be customized to reflect the personal values of each individual, family, or organization. This allows the Firm's clients to invest in a way that aligns with their values. CornerstoneFM may rely on mutual funds and ETFs that incorporate Environmental, Social and Governance ("ESG") research as well as positive and negative screens related to specific business practices to determine the quality of an investment on values-based merits.

Additionally, CornerstoneFM may construct portfolios of individual securities in order to provide clients with a greater degree of control over the socially conscious strategies they are utilizing. CornerstoneFM relies on third-party research when constructing portfolios of individual securities with socially conscious considerations.

### **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.** Material risks associated with our investment strategies are listed below. Many of these risks apply equally to stocks, bonds, commodities, and any other investment or security. The risks described below also apply to the underlying investments in mutual funds, ETFs, variable life policies and variable annuities.

**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.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions, we may be unable to sell or liquidate investments at prices we consider reasonable or favorable or find buyers at any price.

**Foreign Investment/Currency Risk:** Securities or other investments of foreign issuers involve additional risks (such as risks arising from less frequent trading, changes in political or social conditions, currency risk and less publicly available information about non-U.S. issuers) that differ from those associated with investing in securities of U.S. issuers and may result in greater price volatility.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**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.

**Commercial Paper** is, in most cases, an unsecured promissory note that is issued with a maturity of 270 days or less. Being unsecured the risk to the investor is that the issuer may default.

**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 factors such 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.

**Options and other Derivatives:** While certain derivatives, e.g., covered call options, may be used to hedge investment risk, other derivatives (e.g., index futures) may be speculative and can result in the complete loss of principal.

### **Risks of Alternative Funds**

Alternative mutual funds or ETFs, which CornerstoneFM may utilize for certain clients when appropriate, may carry the risks described above at a heightened level, e.g., greater derivative risk, currency risk, or heightened concentration risk in a particular security or sector,

### **Risks of Insurance Products**

In addition to the risks associated with their investment portfolios, variable life policies and variable annuities carry the risk of default by the insurance company that has issued the product and which stands behind any guarantee of payment. CornerstoneFM will only recommend insurance products backed by companies with superior financial strength ratings.

## **Item 9: Disciplinary Information**

### **Criminal or Civil Actions**

CornerstoneFM and its management have not been involved in any criminal or civil action.

### **Administrative Enforcement Proceedings**

CornerstoneFM and its management have not been involved in administrative enforcement proceedings.

### **Self-Regulatory Organization Enforcement Proceedings**

CornerstoneFM and its management have not been involved in legal or disciplinary events that are material to a Client's or prospective Client's evaluation of CornerstoneFM or the integrity of its management.

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

No CornerstoneFM employee is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

No CornerstoneFM employee is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor.

CornerstoneFM does not have any related parties. As a result, we do not have a relationship with any related parties.

CornerstoneFM only receives compensation directly from Clients. We do not receive compensation from any outside source. We do not have any conflicts of interest with any outside party.

### **Recommendations or Selections of Other Investment Advisers**

As referenced in Item 4 of this brochure, CornerstoneFM recommends Clients to Outside Managers to aid in the management of their accounts. In the event we recommend an Outside Manager, please note that we do not share in their advisory fee. Our fee is separate and in addition to their compensation (as noted in Item 5 of this

brochure). In addition, you will be provided a copy of the Outside Manager's Form ADV 2A, Firm Brochure, which also describes its fees. You are not obligated, contractually or otherwise, to use the services of any Outside Manager we recommend.

## 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.

### **Code of Ethics Description**

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 matters shall reflect the credit of the profession.
- Diligence - Associated persons shall act diligently in providing professional services.

We periodically review and amend our Code of Ethics to ensure that it remains current, and we require all firm access persons to attest to their understanding of and adherence to the Code of Ethics at least annually. Our firm will provide a copy of its Code of Ethics to any Client or prospective Client upon request.

### **Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Neither our firm, its associates or any related person is authorized to recommend to a Client or effect a transaction for a Client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, adviser to the issuer, etc.

However, there may be circumstances where we recommend using our own services over the services of our competitors. For example, we may recommend that you roll over an investment in a retirement plan or account

into an IRA account that we will manage. We may only make such a recommendation if we believe that it is in your best interest to do so and we must explain our reasons to you in writing.

### **Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Our firm and its “related persons” may buy or sell securities similar to, or different from, those we recommend to Clients for their accounts. 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 reportable securities transactions. Any exceptions or trading pre-clearance must be approved by the firm principal in advance of the transaction in an account, and we maintain the required personal securities transaction records per regulation.

### **Trading Securities At/Around the Same Time as Client’s Securities**

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

## **Item 12: Brokerage Practices**

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

Generally, Clients of CornerstoneFM who wish to have us to manage their investment portfolio are directed to open an account with Fidelity, an unaffiliated broker-dealer. In selecting Fidelity, we have made a determination that Fidelity will provide “best execution” of transactions in Client accounts. The determinative factor in the analysis of best execution is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker-dealer’s services. The factors we considered when evaluating Fidelity as compared to other broker-dealers included, without limitation, the broker-dealer’s:

- Execution capability;
- Commission rate;
- Financial responsibility;
- Responsiveness and customer service;
- Custodian capabilities;
- Research services/ancillary brokerage services provided; and ● Any other factors that we consider relevant.

#### **1. Soft-Dollar Benefits**

CornerstoneFM does not utilize “soft dollar” arrangements to obtain brokerage or research products and services Fidelity does provide us with a trading platform and client account management system which it provides to all investment advisors who utilize their services.

#### **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.

## Trading for Multiple Client Accounts

Generally, we place separate trades for each client account. However, there may be times where we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as “block trading”). In either case we ensure that all client accounts are treated fairly.

## Item 13: Review of Accounts

CornerstoneFM will work with Clients to obtain current information regarding their assets and investment holdings and will review this information as part of our financial planning services. CornerstoneFM does not provide specific reports to financial planning Clients, other than financial plans.

Client accounts with the Investment Management Service will be reviewed regularly on a quarterly basis. The account is reviewed with regards to the Client’s investment policies and risk tolerance levels. 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.

## 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.

CornerstoneFM may engage independent solicitors to provide client referrals. If a client is referred to us by a solicitor, this practice is disclosed to the client in writing by the solicitor and CornerstoneFM pays the solicitor out of its own funds—specifically, CornerstoneFM generally pays the solicitor a portion of the advisory fees earned for managing the capital of the client or investor that was referred. The use of solicitors is strictly regulated under applicable federal and state law. CornerstoneFM’s policy is to fully comply with the requirements of the Investment Advisers Act of 1940, as amended, and similar state rules, as applicable.

## Item 15: Custody

CornerstoneFM does not accept custody of Client funds except in the instance of withdrawing Client fees.

For Client accounts in which CornerstoneFM directly debits their advisory fee:

- i. CornerstoneFM will send a report itemizing the fees to be deducted from the relevant client accounts.
- ii. The custodian will send at least quarterly statements to the Client showing all disbursements for the account, including the amount of the advisory fee.
- iii. The Client will provide written authorization to CornerstoneFM, permitting them to be paid directly for their accounts held by the custodian.

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains Client's investment assets. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Clients are strongly encouraged to compare invoices they receive from CornerstoneFM to account statements they received from the custodian.

## Item 16: Investment Discretion

For most Client accounts where we provide Investment Management Services, we maintain discretion over Client accounts. This means that we determine what securities should be bought, held, and sold (consistent with the Investment Policy Statement) without consulting the client. The Client's contract includes a limited power of attorney, which will grant our firm discretion over the account.

Our Investment Consulting Services accounts are non-discretionary.

## Item 17: Voting Client Securities

We do not vote Client proxies. You will receive proxy materials directly from the account custodian.

## Item 18: Financial Information

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 in advance.

## Item 19: Requirements for State-Registered Advisers

The firm's Principal Executive Officers and Management Persons are Theodore Yoos, Kevin Arruda, and George Newfield. Each Partner's formal education and business background is disclosed in their respective Form ADV Part 2B. None of the firm's Partners are involved in any reportable outside business activities.

Cornerstone Financial Management LLC does not charge performance-based fees.

Neither Cornerstone Financial Management LLC, nor any of its management persons, have been involved in an arbitration claim of any kind or been found liable in a civil, self-regulatory organization, administrative, or bankruptcy proceeding.



Neither Cornerstone Financial Management LLC, nor any of its management persons, have any relationship or arrangement with issuers of securities.

No management person receives any economic benefit from any person, company, or organization in exchange for providing Clients advisory services through Cornerstone Financial Management LLC.



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**September 2023**

## **Form ADV Part 2B - Brochure Supplement**

This brochure supplement provides information about Cornerstone Financial Management LLC that supplements the Cornerstone Financial Management LLC (“CornerstoneFM”) brochure. A copy of that brochure precedes this supplement. Please contact the Chief Compliance Officer if the CornerstoneFM brochure is not included with this supplement or if you have any questions about the contents of this supplement. Clients can obtain the disciplinary history of Cornerstone Financial Management LLC, or its representatives, from the Massachusetts Securities Division upon request via phone (617) 727-3548 or email [msd@sec.state.ma.us](mailto:msd@sec.state.ma.us).

Additional information about Cornerstone Financial Management LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the identification number 140967.

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

### **Professional Certifications**

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

**Uniform Registered Investment Advisor Representative (Series 65):** The Series 65 is a securities license required by most U.S. states for individuals who act as investment advisors. The Series 65 exam, called the Uniform Investment Adviser Law Examination, covers laws, regulations, ethics, and topics such as retirement planning, portfolio management strategies, and fiduciary responsibilities. While there are no prerequisites in order to sit for the Series 65 exam some Advisors require significant industry experience as well as other industry designations to manage Client's accounts and provide professional investment advice.

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

The CERTIFIED FINANCIAL PLANNER<sup>™</sup>, CFP<sup>®</sup> and federally registered CFP (with flame design) marks (collectively, the "CFP<sup>®</sup> marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board").

The CFP<sup>®</sup> certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP<sup>®</sup> certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 85,000 individuals have obtained CFP<sup>®</sup> certification in the United States. To attain the right to use the CFP<sup>®</sup> 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<sup>®</sup> Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's *Code of Ethics and Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP<sup>®</sup> professionals.

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

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

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

**Certified Kingdom Advisor® (CKA®):** CKA® is a designation granted by Kingdom Advisors to individuals who have demonstrated themselves to be:

- Able to Apply Biblical Wisdom in Counsel: By successfully completing the rigorous Certified Kingdom Advisor® coursework and examination.
- Technically Competent: By providing evidence of an approved professional designation (varying by discipline) or by having at least 10 years full-time experience in their discipline.
- Ethical: By agreeing to espouse and practice the Kingdom Advisors Code of Ethics, by maintaining active local church involvement, and by providing pastoral and client letters of reference.
- Biblical Stewards: By pledging that they practice biblical stewardship in their personal and professional lives and by giving regularly in proportion to their income.

**Chartered Financial Analyst (CFA):** The CFA Program is a graduate-level self-study program that combines a broad-based curriculum of investment principles with professional conduct requirements. It is designed to prepare charter holders for a wide range of investment specialties that apply in every market all over the world. To earn a CFA charter, applicants study for three exams (Levels I, II, III) using an assigned curriculum. Upon passing all three exams and meeting the professional and ethical requirements, they are awarded a charter.

**CAIA – Chartered Alternative Investment Analyst:** The CAIA Charter, recognized globally, is administered by the Chartered Alternative Investment Analyst Association and requires a comprehensive understanding of core and advanced concepts regarding alternative investments, structures, and ethical obligations. To qualify for the CAIA Charter, finance professionals must complete a self-directed, comprehensive course of study on risk-return attributes of institutional quality alternative assets; pass both the Level I and Level II CAIA examinations at global, proctored testing centers; attest annually to the terms of the Member Agreement; and hold a US bachelor's degree (or equivalent) plus have at least one year of professional experience or have four years of professional experience. Professional experience includes full-time employment in a professional capacity within the regulatory, banking, financial, or related fields. Once a qualified candidate completes the CAIA program, he or she may apply for CAIA membership and the right to use the CAIA designation, providing an opportunity to access ongoing educational opportunities. To learn more about the CAIA charter, visit [www.caia.org](http://www.caia.org).

**Item 1. Cover Page**



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**Form ADV Part 2B - Brochure Supplement for Theodore Yoos**

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Additional information about Theodore Yoos is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the identification number 4573507.

# Theodore R. Yoos, CFP<sup>®</sup>, CKA<sup>®</sup>

CRD#: 4573507

Year of birth: 1958

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

### Educational Background:

- Hamilton College, Clinton, NY, B.A., Summa cum Laude, Phi Beta Kappa, 1980.
- Cornell University, Ithaca, NY, M.S., 1988.
- The Philadelphia Institute, Philadelphia, PA, Certificate in Fiduciary Management, 1990.
- Boston University, Boston, MA, Financial Planning Program, 1994-1997. Certifications:
- CERTIFIED FINANCIAL PLANNER<sup>™</sup> (CFP<sup>®</sup>), February 1998
- Certified Kingdom Advisor<sup>®</sup> (CKA<sup>®</sup>), November 2018

### Business Experience:

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

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

**Item 3: Disciplinary Information:** None

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

**Item 5: Additional Compensation:** None

### **Item 6: Supervision:**

Theodore Yoos, as Chief Compliance Officer, is responsible for supervision. He may be contacted at the phone number on this brochure supplement.

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

Theodore Yoos has not been involved in an arbitration, civil proceeding, self-regulatory proceeding, administrative proceeding, or a bankruptcy petition.



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## **Form ADV Part 2B - Brochure Supplement for Kevin Arruda**

This brochure supplement provides information about Kevin Arruda that supplements the Cornerstone Financial Management LLC (“CornerstoneFM”) brochure. A copy of that brochure precedes this supplement. Please contact Theodore Yoos if the CornerstoneFM brochure is not included with this supplement or if you have any questions about the contents of this supplement. Clients can obtain the disciplinary history of Cornerstone Financial Management LLC, or its representatives, from the Massachusetts Securities Division upon request via phone (617) 727-3548 or email [msd@sec.state.ma.us](mailto:msd@sec.state.ma.us).

Additional information about Kevin Arruda is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the identification number 5356913.

# **Kevin J. Arruda, CFA, CFP<sup>®</sup>, CKA<sup>®</sup>**

CRD#: 5356913

Year of birth: 1978

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

### Educational Background:

- Bryant University, Smithfield, RI, B.S. in Business Administration, 2013
- Bristol Community College, Fall River, MA, A.A. in Business Administration, 2009

### Certifications:

- Chartered Financial Analyst (CFA), August 2018
- CERTIFIED FINANCIAL PLANNER<sup>™</sup> (CFP<sup>®</sup>), December 2019
- Certified Kingdom Advisor<sup>®</sup> (CKA<sup>®</sup>), May 2020

### Business Experience:

- Partner, Cornerstone Financial Management LLC, 03/2021 - Present
- Senior Portfolio Oversight Manager, Bank of America, Providence, RI, 10/2014 - 02/2021
- Treasury Analyst, Citizens Bank, Providence, RI, 09/2013 - 10/2014
- Senior Registered Client Associate, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Hingham, MA 10/2009 - 09/2013
- Registered Sales Assistant, Banc of America Investment Services, Inc., Attleboro, MA, 03/2008 - 10/2009

**Item 3: Disciplinary Information:** None

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

**Item 5: Additional Compensation:** None

### **Item 6: Supervision:**

Theodore Yoos, as Chief Compliance Officer, is responsible for supervision. He may be contacted at the phone number on this brochure supplement.

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

Kevin Arruda has not been involved in an arbitration, civil proceeding, self-regulatory proceeding, administrative proceeding, or a bankruptcy petition.



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**Form ADV Part 2B - Brochure Supplement for George Newfield**

This brochure supplement provides information about George Newfield that supplements the Cornerstone Financial Management LLC (“CornerstoneFM”) brochure. A copy of that brochure precedes this supplement. Please contact Theodore Yoos if the CornerstoneFM brochure is not included with this supplement or if you have any questions about the contents of this supplement. Clients can obtain the disciplinary history of Cornerstone Financial Management LLC, or its representatives, from the Massachusetts Securities Division upon request via phone (617) 727-3548 or email [msd@sec.state.ma.us](mailto:msd@sec.state.ma.us).

Additional information about George Newfield is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the identification number 5540958.

# George E. Newfield, CFA, CFP<sup>®</sup>, CKA<sup>®</sup>, CAIA

CRD #: 5540958 Year  
of birth: 1986

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

### Educational Background:

- Bryant University, Smithfield, RI, B.S. in Business Administration, Finance/Economics, 2008

### Certifications:

- Chartered Financial Analyst (CFA), August 2016
- CERTIFIED FINANCIAL PLANNER<sup>™</sup> (CFP<sup>®</sup>), December 2019
- Certified Kingdom Advisor<sup>®</sup> (CKA<sup>®</sup>), May 2020
- Chartered Alternative Investment Analyst (CAIA), May 2017

### Business Experience:

- Partner, Cornerstone Financial Management LLC, 03/2021 - Present
- Senior Portfolio Oversight Manager, Bank of America, Providence, RI, 09/2014 - 02/2021
- Portfolio Manager, U.S. Trust, Bank of America Wealth Management, Providence, RI, 07/2010 - 09/2014

**Item 3: Disciplinary Information:** None

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

**Item 5: Additional Compensation:** None

### **Item 6: Supervision:**

Theodore Yoos, as Chief Compliance Officer, is responsible for supervision. He may be contacted at the phone number on this brochure supplement.

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

George Newfield has not been involved in an arbitration, civil proceeding, self-regulatory proceeding, administrative proceeding, or a bankruptcy petition.