

**Part 2A of Form ADV: *Firm Brochure***

**Sherman Financial, LLC**

Christopher Sherman  
902 Crestwood Lane  
Chapel Hill, NC 27517  
Telephone: 919-923-2337  
Email: [chris@shermanfp.com](mailto:chris@shermanfp.com)  
Web Address: [www.shermanfp.com](http://www.shermanfp.com)

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This brochure provides information about the qualifications and business practices of Sherman Financial, LLC. If you have any questions about the contents of this brochure, please contact us at 919-923-2337. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Sherman Financial, LLC is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for our firm's name or by using the firm's CRD number. The CRD number for Sherman Financial, LLC is 285007.

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

## **Item 2: Material Changes**

Item 4: The hourly fee has increased to \$250 to increase with the rate of the market for hourly advisory services.

Item 5: The hourly fee has increased to \$250 to increase with the rate of the market for hourly advisory services.

### **Item 3 Table of Contents**

<b>Item 2: Material Changes</b>	<b>2</b>
<b>Item 3 Table of Contents</b>	<b>3</b>
<b>Item 4: Services, Fees, and Compensation</b>	<b>4</b>
<b>Item 5: Fees and compensation</b>	<b>5</b>
<b>Item 6: Performance-Based Fees and Side-By-Side Management</b>	<b>6</b>
<b>Item 7: Types of Clients</b>	<b>6</b>
<b>Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss</b>	<b>6</b>
<b>Item 9: Disciplinary Information</b>	<b>8</b>
<b>Item 10: Other Financial Industry Activities and Affiliations</b>	<b>8</b>
<b>Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b>	<b>9</b>
<b>Item 12: Brokerage Practices</b>	<b>10</b>
<b>Item 13: Review of Accounts</b>	<b>10</b>
<b>Item 14: Client Referrals and Other Compensation</b>	<b>10</b>
<b>Item 15: Custody</b>	<b>10</b>
<b>Item 16: Investment Discretion</b>	<b>10</b>
<b>Item 17: Voting Client Securities</b>	<b>11</b>
<b>Item 18: Financial Information</b>	<b>11</b>
<b>Item 19: Requirements for State-Registered Advisers</b>	<b>11</b>
<b>Part 2B of Form ADV for Christopher Sherman</b>	<b>11</b>

#### **Item 4: Services, Fees, and Compensation**

Sherman Financial, LLC was started in 2016 by Christopher Sherman, who is the sole member of the firm. The firm is a fee-only, independent advisory firm providing services to individuals, families and their related entities, trusts and estates, and businesses. The firm is a limited liability company (LLC), formed under the laws of the State of North Carolina. The firm name has one additional name which it conducts business as: Sherman Financial.

The firm works with clients to clarify and define their financial objectives and provide recommendations on achieving these goals, as determined in the “determine goals and expectations” stage of the advisory process. The firm receives compensation based on fees paid directly from clients, referred to as “fee-only.” Neither the firm, nor any associated advisors or employees of the firm, receive compensation (such as sales commissions and 12b-1 fees) or pay or receive referral fees from anyone.

In 2017 Sherman Financial, LLC began publishing a newsletter on the firm's website, [www.shermanfp.com/news](http://www.shermanfp.com/news). We have also added financial coaching and educational workshops to our services.

#### **Advisory Services**

**Hourly Advice:** The firm provides advisory services on an hourly basis, charging at a current rate of \$250 per hour. Sherman Financial may reduce these fees at its discretion. There are no additional or outside fees charged to the client. The firm provides financial planning advisory services regarding investment, retirement, insurance, estate, cash flow, asset allocation, risk management, college funding, short and long term savings, tax planning and preparation, financial coaching, and other related financial areas.

**Flat Annual Fee:** For those clients desiring annual financial support, or services that may go beyond a single meeting, Sherman Financial, LLC offers a set annual fee service agreed upon at the start of the arrangement, to be paid in equal quarterly installments. This fee is based on the hourly rate of \$250 per hour multiplied by the estimated number of hours provided. The firm will initiate two meetings per year; it is the client’s responsibility to initiate further meetings.

Services are dependent upon the needs of the client, but may include the following:

- Tax planning
- Investment advising including portfolio analysis and asset allocation
- Retirement planning
- Financial goal setting
- Budget and cash management
- Estate planning
- Education Planning

Sherman Financial, LLC may discount the rate at its discretion.

**Specialization:** We specialize in comprehensive financial planning for those clients who wish to manage financial assets on their own and/or have professional management of funds in a fee-for service approach. Services are tailored based on the needs of the individual client, and can range from a

comprehensive financial review to an individual financial need.

**Financial Planning Stages:** Sherman Financial, LLC provides financial planning services including, but not necessarily limited, to the following topics:

- 1) Establish the client-adviser relationship
- 2) Gather client data and determine goals and expectations
- 3) Analyze and evaluate client's financial status
- 4) Develop and present financial recommendations and alternatives
- 5) Implement financial recommendations
- 6) Monitor financial planning recommendations

### **Description of Business and Tax Preparation Services**

Sherman Financial, LLC provides the following business and tax preparation services: business financial consulting including contract Chief Financial Officer services to small businesses, non-profit organizations, and government agencies, business budgeting and strategic management, fiscal and policy analysis, start-up assistance, accounting, and human resources and operational consulting, and individual and corporate tax preparation.

There are no client imposed restrictions. The advisor does not participate in any wrap fee programs.

### **Item 5: Fees and compensation**

#### **Flat Rate**

The firm charges a set rate of \$250 per hour for hourly services. The rate of time it will take to complete the particular financial services will depend on each client's situation and needs, however estimated total hours can be provided at the start of the advisory relationship. Clients are billed monthly based on actual hours accrued.

#### **Annual Fee**

The firm has added the option of a set annual fee approach for those clients who desire ongoing monthly financial advising and financial management, including those with assets under management. This fee is based on an estimated hours needed per year, multiplied by the set rate of \$250 per hour. This fee ranges from \$1,000 per client to \$10,000 per client depending upon the complexity of the situation and are billed monthly.

Travel to meet with the client beyond 15 miles is assessed at a rate of \$75 per hour, plus with a mileage rate of the *IRS Standard Mileage Rates*, available at <https://www.irs.gov/tax-professionals/standard-mileage-rates/>. The current rate for 2022 is \$0.585 per mile. These fees are negotiable based on the size of the planning need.

The firm does not require or solicit payment of fees in excess of \$500 or more than six months in

advance of services rendered.

No employee, owner, or related party receives compensation for the sale of securities or other investment products or services.

Accounting and tax preparation services are billed at a rate of \$100 per hour.

Custodians or brokerage firms may charge annual or transaction fees. Mutual funds charge management fees for their services and may charge 12-b1 fees. Clients pay these fees in addition to the fees paid to Sherman Financial, LLC. Sherman Financial, LLC receives no portion of these fees. This is further explained in Item 12.

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

Sherman Financial, LLC does not charge performance based fees or side by side management fees.

## **Item 7: Types of Clients**

The firm provides advisory services to individuals (including families and those of high net worth), trusts, non-profit organizations, businesses, and corporations. There are no minimum levels of assets or net wealth for services.

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

### **Methods of Analysis and Investment Strategies**

The firm uses a variety of analysis methods dependent upon the needs of the client. A combination of these methods may be used to determine the ideal investment strategy for each client. A summary of these methods is as follows:

***Fundamental Analysis:*** Method of valuing a security by measuring the intrinsic value, which is the “true value” of the asset and not necessarily the market price. This analysis will determine how the security is valued compared to the market price.

***Technical Analysis:*** This method analyzes securities based on the movement and trends of the market, including historical prices, trading volume, and market data. The goal is not to determine if the asset is accurately priced, rather the future movements of the security.

***Cyclical Analysis:*** The review of a security in relationship to economic factors and phases within the economic cycle. Securities that are highly cyclical will be more dependent on the economic cycle, and thus will need to be monitored and valued differently than those which do not move with the changes in economic cycle.

***Tax-Loss Harvesting:*** A strategy of selling or holding onto securities to reduce the net capital

gains tax for a particular year.

**Asset Allocation:** Determining the ideal balance of asset within a portfolio based on risk tolerances, earnings needs and expectations (investment goals), and investment time horizon. Allocation strategies include *Strategic* (setting a target allocation and rebalancing on a periodic basis) and *Tactical* (actively adjusts portfolio allocations based on market conditions).

**Mutual Fund, Index Fund, and/or ETF Analysis:** Includes reviewing mutual funds to determine how they fit into the client's goals and objectives, including risk and expected return. Methods of analysis include management review, strategy, market capitalization, fund fees, portfolio composition and diversification, standard deviation of returns, and annualized average returns. These will be compared to other funds and comparable benchmarks.

**Investment Strategies:** Sherman Financial, LLC prefers the use of *Strategic* asset allocation, and we prefer passive investment strategies with annual rebalancing. We typically recommend no-load mutual funds, including active managed funds, passive managed funds, and exchange-traded funds. We may also recommend individual stocks and bonds as needed for client goals.

## **Risk of Loss**

All investments have a certain amount of risk involved. Our goal is to understand this risk and balance it with potential investment earnings for each selected investment. The following is a summary of risks that apply to investments:

**Market Risk:** Also known as systematic risk, this is the risk that the overall market will decline. Market risk cannot be diversified away by diversification. Specific types of market risk include equity risk, interest rate risk, and currency risk.

**Interest Rate Risk:** The risk that an investment's interest rate will change.

**Credit Risk:** The risk a company (or individual borrower) will not be able to make required payments, causing a loss of interest and principal.

**Foreign Investment Risk:** The risk involved with foreign investments, including currency exchange risk (a change in the value of the US dollar compared to the currency of the investment) and political risk (risk that a country's politics will decrease the value of the investment).

**Reinvestment Risk:** the risk that when the principal is returned, it will not be able to be reinvested at the current rate of return.

**Inflation Risk:** The decrease in purchasing power from an investment due to an increase in the cost of goods and services.

## **Item 9: Disciplinary Information**

This is not applicable to this brochure since there are no disciplinary or legal events listed at Item 9 of Form ADV Part 2.

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

In addition to the financial advising services state, Sherman Financial, LLC provides business financial consulting including contract Chief Financial Officer services to small businesses, non-profit organizations, and government agencies, business budgeting and strategic management, fiscal and policy analysis, start-up assistance, accounting, and human resources and operational consulting, and individual and corporate tax preparation.

Sherman Financial, LLC is not and does not have a related party with any other financial institution other than those disclosed in this brochure. This includes the following:

- Broker/Dealer
- Investment Company
- Other Investment Advisors or Financial Planner
- Banking or Thrift Institution
- Lawyer or Law Firm
- Insurance Company of Agency
- Real Estate Broker or Dealer
- Any other financial institution other than those previously disclosed

Sherman Financial, LLC may recommend and/or refer clients to other financial institutions; however, the firm receives no payment or compensation of any kind from these institutions and only does so when it is in the best interest of the client. Sherman Financial, LLC may use the client's existing broker or custodian to execute trades, or will recommend another provider in the best interest of the client. These include, but not limited to The Vanguard Group, Inc, and Fidelity Brokerage Services. The firm may recommend financial planning clients use Sherman Financial, LLC for business activity and tax preparation when it is in the best interest of the client; it will be disclosed that the recommendation is made to be provided under Sherman Financial, LLC and is no obligation to use Sherman Financial, LLC for these services.

Sherman Financial, LLC has an arrangement with First Ascent Asset Management, a Turnkey Asset Management Program, to serve clients with asset management when it is in the best interest of clients. In carrying out fiduciary duties to its clients, Sherman Financial, LLC assists its clients with determining their investment objectives and risk tolerances, including other goals. Sherman Financial, LLC may recommend clients utilize a third party independent investment manager (First Ascent Asset Management). With this relationship (or any other third party manager), no solicitation relationship exists as there is no compensation between Sherman Financial and the third party manager. The Joint Investment Advisory Agreement outlines each parties separate and distinct fiduciary responsibilities to the client, with delegation to First Ascent to only invest the client assets along with some administrative



activities and what First Ascent agrees to do for the client. Sherman Financial, LLC receives no compensation from First Ascent Asset Management, nor does First Ascent Asset Management receive compensation from Sherman Financial, LLC. Clients may elect to pay fees to Sherman Financial, LLC out of their accounts which are managed by First Ascent Asset Management.

Christopher Sherman is a *Xero Certified Advisor*, providing accounting services and may sell accounting and payroll software to clients. Sherman Financial, LLC may make a profit from selling this software. Financial consulting services are billed at \$250 per hour. Bookkeeping is billed at \$75 per hour. Sherman Financial may reduce these fees at its discretion, or give a flat rate based on estimated number of hours needed.

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

### **Code of Ethics**

The core of Sherman Financial, LLC's ethics is to place the client's needs and interests first. The firm becomes a fiduciary to any and all activities related to the client. The firm provides full disclosure of material facts related to client recommendations.

The firm's *Code of Ethics* includes the items included in the CFP® Board of Standards, including the following:

- Integrity: Provide professional services with integrity
- Objectivity: Provide professional services objectively
- Competence: Maintain the knowledge and skill necessary to provide professional services competently
- Fairness: Be fair and reasonable in all professional relationships; disclose conflicts of interest
- Confidentiality: Protect the confidentiality of all client information
- Professionalism: Act in a manner that demonstrates exemplary professional conduct
- Diligence: Provide professional services diligently

The firm's Code of Ethics complies with the Code of Ethics requirements of Rule 204A-1 of the Investment Advisers Act of 1940. The firm's Code of Ethics is available upon request by any client or prospective client. All employees of the firm must agree to uphold the firm's Code of Ethics.

### **Employee Personal Security Transactions Disclosure**

Sherman Financial, LLC and its related persons may purchase securities that are held by or recommended to clients. This creates a conflict of interest between the firm and the client; the following actions are taken regarding personal securities transactions and holdings:

- a) Any personal holdings in a security discussed with clients will be disclosed
- b) A list of personal holdings is available upon request by clients

- c) Personal trades are not at a level which is large enough to affect the specific mutual fund or the securities market

### **Item 12: Brokerage Practices**

Sherman Financial, LLC is not a broker/dealer and does not have any relationship with a broker/dealer or any other financial institutions other than those disclosed. Clients are under no obligation to follow the recommendations of the firm, including recommended broker/dealers or any other financial institutions.

The firm does not receive any products or services from any financial institution. No research or “soft dollar” benefits are received.

The firm may recommend broker/dealers to the client, and broker/dealers may refer clients to Sherman Financial, LLC. In these instances, the existing client will disclose this fact and the reason behind the recommendation to a particular broker/dealer (for example, receiving favorable execution, lower costs per trade).

Sherman Financial, LLC may perform transactions with broker/dealers and custodians if directly instructed to by clients.

### **Item 13: Review of Accounts**

In providing financial planning services, the firm may review client accounts as directed by the client and act as limited agent through the use of a limited agent authority agreement. The Firm provides routine check-ups at the request of the client for fee-based clients. Investment management clients will receive quarterly reviews and annual meetings. Other meetings and reviews may be conducted at the request of the client.

It is the responsibility of the client to provide updated portfolio information to the firm to conduct account review. Clients will receive account statements directly from their broker/dealer, investment firm, custodian, fund company, or agent. The firm does not provide ongoing performance reporting, however Sherman Financial, LLC may provide financial software providing such service.

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

Sherman Financial, LLC has no agreement with any client or other party to compensate them or to be compensated for referrals.

### **Item 15: Custody**

Sherman Financial, LLC does not hold custody of client accounts.

### **Item 16: Investment Discretion**

Sherman Financial, LLC does not have investment discretion over client accounts or assets. Discretionary

authority is when the client gives the firm authority to execute financial transactions on behalf of the client without the client's consent, based on predetermined investment objectives.

### **Item 17: Voting Client Securities**

Sherman Financial, LLC does not place vote proxies for client securities. It is the responsibility of the client to vote for securities.

### **Item 18: Financial Information**

The firm does not require prepayment of more than \$500 in fees per client, six months or more in advance. The firm is not required to include the most recent fiscal year's balance sheet due to it having no assets under management. The firm has not been subject to a bankruptcy petition at any time. Sherman Financial is not under a financial condition which would impact its ability to provide services to clients.

### **Item 19: Requirements for State-Registered Advisers**

This section lists the background and education for the firm's key personnel. The owner and sole advisor of the firm is Christopher Sherman. Mr. Sherman is the Chief Compliance Officer of Sherman Financial.

Certifications:

- Certified Financial Planner® (CFP)

Education:

- BA, University of California -Riverside, 2004 (BA in Political Science, BA in Liberal Studies)
- MPA, University of North Carolina at Chapel Hill, 2007 (Masters of Public Administration)
- Certificate of Financial Planning, North Carolina State University, 2013

Exams:

- Uniform Investment Advisors Law Examination (Series 65)
- Certified Financial Planner® Exam (CFP)

Mr. Sherman began financial planning in 2016. Prior to that he worked in small business, non-profit, and government finance, operations, and consulting. He provides business consulting, accounting, and tax preparation services; currently spending approximately 15 hours per week in those services.

### **Part 2B of Form ADV for Christopher Sherman**

Mr. Sherman has never been subject to a legal or disciplinary event required to be reported on Form ADV Part 2B. He does not receive compensation in addition to the hourly fees described in the disclosures of this brochure. He has no relationship or arrangement with any issuers of securities or other financial institutions other than those stated in this filing.