

Richards Financial

A Pennsylvania Registered Investment Adviser

459 N 32nd St., Harrisburg, PA 17111

717-798-8474

Brochure

Form ADV Part 2

January 1, 2016

John K Richards

Principle

This brochure provides our clients and prospective clients with information about Richards Financial LLC. We are a Pennsylvania registered investment advisor doing business as Richards Financial. All clients and prospective clients should carefully consider our qualifications, experience and business practices before becoming an advisory client. Our brochure is written in “plain English” so the reader will understand our company and what we do. This is our first brochure without any amendments.

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 Richards Financial is also available on the SEC’s website at www.adviserinfo.sec.gov. Being that we are a “registered investment adviser” does not imply a certain level of skill or training. If you have any questions about the contents of this brochure please contact us at 717-798-8474.

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Advisory Services

Richards Financial is Pennsylvania registered investment adviser that provides personalized financial advice based on our clients unique circumstances. The company was established in Harrisburg, Pennsylvania Jan. 2004 to offer financial services as a commission and fee based independent financial adviser. Starting in 2012, we have changed our business to a fee only investment advisory business. Richards Financial manages approximately \$2.5 million in client assets and is a state registered adviser. The sole managing principle and founder of Richards Financial is John K Richards. I have been a Financial Adviser for 24 years and offer growth strategies based on fundamental analysis and trend following strategies. I specialize in value investing and trend following of foreign and domestic stocks. We also specialize in fixed income securities and option strategies. Fee based accounts are well suited for both fixed income or growth oriented value investors who appreciate high quality advise from an experienced adviser. Our successful portfolio strategies are achieved on a non-discretionary all financial transactions would need the client's prior approval.

Financial Planning

Every client has their own unique circumstance so our first step toward a financial plan is a confidential interview either in person or over the phone. Working together we will over time develop a financial plan that will allow you to achieve your financial goals. Our Integrity and experience work together to formulate a solid financial plan that you can have confidence in. Your strategy will be based on your specific goals and the resources you have to meet those goals. It's a personal and confidential matter. It's very important that we work together and trust each other to honestly communicate our thoughts. We should try to plan for what we believe are our priorities. If an individual has a flexible financial plan, then it can be later modified during your life's new priorities as they present themselves.

Strategies

We cannot predict where equity markets or interest rates will go. What I look for are special circumstances where the market is either undervaluing or over valuing a specific sector or company' shares. This happens because human nature always repeats itself by undervaluing because of some uncertainty and over valuing because of being too overly optimistic. Eventually the market will present an opportunity that is clear and the risk is justified. When an opportunity does arise I will make you aware of it and you can decide on participating or not in the strategy. If you decide to participate on any

opportunities that may come along, I will then focus on minimizing the risk of loss by using stop loss orders or option strategies. This is the most important part of investing because if we concentrate on minimizing losses over time our profits should be worth the risks taken. Money management is the key. Losing trades could be greater in number and we can still show gains if we keep the losing trades small while adding to winning trades. The old saying cut your losses small and add to your winners truly does have advantages.

Sometimes new creative ideas come along that disrupt an industry. If the new idea is adopted and people are willing to pay up for this product or service it can lead to great investments. Today we can download a book and read it on an electronic device. We can watch a movie that was mailed to our home or download directly to our electronic device. These new ideas had a huge impact on their specific industries and company share prices. More great ideas are around the corner or have already been developed. If the valuations of these companies share prices should fall to a level that represents solid value then an opportunity may present itself. The same growth ideas if well adopted can be repeated in places like China or Brazil and those too are places we look for value.

All of the companies we follow besides having superior products or disruptive technologies also have to be financially secure and managed well. We will look for certain balance sheet items such as the current ratio (*liquidity ratio*) to determine if the company can pay its short term obligations and the amount of cash on hand. Many other important considerations are used to evaluate the companies we invest in but are not covered in this brochure because they could be too numerous to mention.

The more volatile recent past has shown that patience and being selective has its merits. We don't always have to be fully invested all the time. Waiting for a clear opportunity and then taking a meaningful position with a focus on managing risk can be a profitable experience. So timing is very important today with the amount of volatility seen in recent years. We never rush into an investment and hope for the best. Patience really is a virtue while searching for value and waiting for a trend to develop.

Stock option strategies are a great way to generate more income. They can also be used to make equity purchases at lower costs. There are great strategies that can be used to exploit uncertainty when stocks are at low prices. One option strategy that we use is vertical credit put spreads. With this strategy you will start with a credit directly into your account and have a predetermined maximum profit and loss. Since there is a predetermined possibility of loss careful consideration should be given before investing in any option strategy. If you are unfamiliar with options and want to know how to increase your income from them we can help educate you on these strategies. Some investors are not interested in options as a portfolio strategy that's ok.

Today's low interest rate environment makes it challenging for clients to earn a high enough return on their fixed income portion of their portfolio. There are many mutual funds that are managed to capture higher yields than money markets or CD's. You have to take some time and be selective and carefully look at the underlying securities or bonds that are included in any fund. Even when we do all the research and make decisions market forces can still push the prices of these funds lower. This risk

can be minimized with the use of stop loss orders so that you can never have a loss greater than you are willing to take. If you spend your time on minimizing losses then the higher income you receive will be worth the market risk you are taking. The yield search really comes down to a risk and reward pursuit and I will help find the level of risk that you are comfortable with. If you are not comfortable with even a small amount of risk then you can invest in treasury securities with short maturities while you wait for higher rates. We are currently experiencing the lowest interest rates in US history so buying long maturities now would have greater risk if the Federal Reserve were to raise interest rates higher.

There are many more considerations outside of growth and income to consider. Education expenses for your children or grandchildren are increasing every year. You can save with a college savings plan utilizing their tax benefits and help fund your child's education. Insurance needs should be taken into consideration in case of the unexpected or when the expected happens. Planning for your eventual estate either through charitable giving or part of a trust that will eventually pass to your beneficiaries is an important matter for seniors. A trust can be beneficial and we advise you to consult with an attorney if a trust is right for you. Although we do not create the trust document itself we can manage the assets in the trust and also help your successor trustee or beneficiary. If you have an individual account we will add a transfer on death beneficiary so the assets can be titled in the name of the beneficiary. Planning is the key here if we work out a plan it can be modified later to suit your needs.

Fees

Our advisory services fees average 1%. The fee is a percentage based on your total assets under management. There will be a small brokerage clearing fee for any trades but without any added commissions. Adviser fees are charged quarterly and deducted from the total value of the account at the beginning of the quarter. A statement will be sent to you with the fee amount prior to being deducted from your account. Should the account be closed or transferred prior to the end of the quarter a refund of fees will be credited for the amount of time before the quarter ends. This refund will be calculated from the number of days from the closing date until the end of the quarter.

Our management fees can be negotiated depending on your special circumstances. For example, if a high percentage of your assets are in fixed rate securities and you intend to be very inactive a consideration can be made for a lower fee. Certain stocks or bonds can be excluded from fees if you intend on keeping those specific positions inactive. Larger accounts with assets over 10 million will qualify for large discounts on quarterly fees in order to reduce management costs you. Our fees schedule can be found on the following page.

Fee Schedule

- 1.25% \$10,000 - \$250,000
- 1% \$250,001 - \$2,000,000
- .75 % \$2,000,001 - \$10,000,000.00
- More than \$10,000,001 negotiated

Types of Clients

We offer financial advice to individuals, trusts, estates, small and large business, pension and profit sharing plans and charitable giving through foundations. There are no minimum income or asset levels or account size limits. We do reserve the right to decline any potential client for any reason.

Other Financial Industry Activities and Affiliations

Richards Financial or its management does not have any affiliations outside of our Advisory business. An example of an affiliation would that could potentially cause a conflict of interest would be an insurance company or agency or real-estate broker. We do not have any applications pending to register as a broker-dealer or registered representative of a broker dealer. We also do not have any applications pending to register as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities. We also do not recommend other investment advisers and do not receive compensation from any other investment advisers

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

In the course of doing business we will disclose any material information that may cause a conflict of interest with our clients. Our policy is to never to have a material ownership interest in companies that we recommend. At times we may be invested in the same securities as our clients and would disclose any conflicts that could arise. If we are going to recommend an investment to a client, it will be an investment that we also feel confident investing in ourselves. Sometimes putting your money where your mouth is makes common sense. If we were to purchase or sell the same investment around the same time as our clients, my experience as an investment adviser for many years has shown no conflicts

to arise. Our transactions are subject to the same market forces as our clients and should not cause any conflicts. Should a conflict somehow arise, our clients' interests would come first and our interests second. Our code of ethics and the inherent workings of the markets generally will avoid any conflicts. If a conflict should arise we will notify our clients of this fact with a remedy.

Our code of ethics below is adopted from the certified financial planner board of standards. This code of ethics fits our own ethical standards. It seemed to us a well thought out representation on how we conduct ourselves with our clients and firms we do business with. By adopting this Code of Ethics does not imply that we are certified by the US certified financial planner board of standards.

Principle 1 – Integrity: Provide professional services with integrity.

Integrity demands honesty and candor which must not be subordinated to personal gain or an advantage. Advisers are placed in positions of trust by clients, and the ultimate source of that trust is the Advisers personal integrity. Allowance can be made for innocent error and legitimate differences of opinion, but integrity cannot co-exist with deceit or subordination of one's principles.

Principle 2 – Objectivity: Provide professional services objectively.

Objectivity requires intellectual honesty and impartiality. Regardless of the particular service rendered or the capacity in which an adviser functions, advisers should protect the integrity of their work, maintain objectivity and avoid subordination of their judgment.

Principle 3 – Competence: Maintain the knowledge and skill necessary to provide professional services competently.

Competence means attaining and maintaining an adequate level of knowledge and skill, and application of that knowledge and skill in providing services to clients. Competence also includes the wisdom to recognize the limitations of that knowledge and when consultation with other professionals is appropriate or referral to other professionals necessary. Advisers make a continuing commitment to learning and professional improvement.

Principle 4 – Fairness: Be fair and reasonable in all professional relationships. Disclose conflicts of interest.

Fairness requires impartiality, intellectual honesty and disclosure of material conflicts of interest. It involves a subordination of one's own feelings, prejudices and desires so as to achieve a proper balance of conflicting interests. Fairness is treating others in the same fashion that you would want to be treated.

Principle 5 – Confidentiality: Protect the confidentiality of all client information.

Confidentiality means ensuring that information is accessible only to those authorized to have access. A relationship of trust and confidence with the client can only be built upon the understanding that the client's information will remain confidential.

Principle 6 – Professionalism: Act in a manner that demonstrates exemplary professional conduct.

Professionalism requires behaving with dignity and courtesy to clients, fellow professionals, and others in business-related activities. Advisers cooperate with fellow advisers to enhance and maintain the profession's public image and improve the quality of services.

Principle 7 – Diligence: Provide professional services diligently.

Diligence is the provision of services in a reasonably prompt and thorough manner, including the proper planning for, and supervision of, the rendering of professional services.

Brokerage Practices

The selection process for a broker dealer involves many considerations. Best execution and costs to the client are the most important. In a fee based business keeping the clients transaction costs down is also very important. We generally take into account best execution as the most important determining factor in our selection of broker dealers. We do not receive any soft dollar benefits from any broker dealers on transactions. When choosing a broker dealer soft dollar benefits do not have any influence. The selection is based on services, best execution and costs to our clients.

We do not receive any client referrals from broker dealers as a benefit of doing business with them. We do not direct any brokerage business to any broker dealer in return for referrals. We also do not routinely recommend, request or require that a client direct us to execute transactions through a specified broker dealer. There are no other economic relationships with any broker dealers that would cause any conflict of interest with our clients. We do not aggregate the purchase or sale of securities for various client accounts.

Review of accounts

Generally all client accounts will be reviewed at least on a quarterly basis. If there are any circumstances e.g. a family addition or death that would affect your overall financial plan an immediate review with the client's plan is appropriate. To be successful in today's difficult and uncertain investment environment you have to communicate as often as necessary to execute any plan. Long gone are the days of buying companies stock and holding them until retirement. Ask any GM stockholders about buy and hold strategy's after GM declared bankruptcy. GM's Management decisions and increased competition forced GM into bankruptcy and essentially wiped out all shareholder equity. Staying on top of developments that may affect the value of your assets is even more important today. Communication with your adviser is essential to an effective financial plan. The more we communicate the better we can formulate your financial plan.

Our account reviews will be conducted during our meetings or phone conversations. At this time we do not expect to send written quarterly reviews. Clients can also expect to receive monthly statements of their accounts from the clearing broker dealer.

Client Referrals and Other Compensation

Client referrals are a very important part of our business. So important in fact that it is our number one priority for growth in assets at Richards Financial. We do not compensate any person, business or related person for client referrals. We do not offer financial advice to anyone for economic benefit other than our clients.

Custody

Custody of client assets will be held with a qualified custodian broker dealer. Richards Financial does not act as custodian of any client assets. All monthly and year end statements will be issued from the custodian.

Investment Discretion

At this time I do not accept discretionary authority to manage securities accounts on behalf of clients. All accounts are non-discretionary meaning our client's approval is needed prior to entering any investment trades.

Voting Client Securities

Richards Financial does not accept authority to vote client securities. The custodian or transfer agent will forward clients proxy material directly to them. Clients are free to contact us by phone 717-798-8474 or write to our address with any questions about any proxy material they may receive.

Financial Information

Richards Financial a registered investment adviser in the State of Pennsylvania is in good financial standing. We have not been the subject of any bankruptcy petition, or lien.

Disciplinary information

Richards Financial LLC or John K Richards has not been involved in any criminal or civil action in a domestic, foreign or military court of competent jurisdiction. No events are ongoing or pending.

Richards Financial LLC or John K Richards has not been involved in any administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority. No events are ongoing or pending.

Richards Financial LLC has not been involved in any *self-regulatory organization (SRO) proceeding*. John K Richards was named in NASD arbitration # 99-007643. *While employed at H & R Block Financial Advisers (formerly Olde Discount Corp.) the firm made a business decision to settle this matter on 09/18/2000. I did not participate in the decision to settle this matter nor was I charged or otherwise made to contribute to the settlement. All claims against me were dismissed with prejudice as part of the settlement agreement.* No events are ongoing or pending

Advisory Personnel Management

John K Richards is the founder and sole principle of Richards Financial. I have spent the last 24 years serving client's financial needs. I founded Richards Financial in January 2004 and enjoy spending my time helping people manage their financial plans.

John K Richards Managing Director, Principle

B.S. University of Scranton

Licenses Adviser Series 63, 65

Nori, Hennion, Walsh May 1992 - Aug 1992

H & R Block Financial Advisers (Olde Discount Corp.) Nov 1992 - Jan 2004

Richards Financial Independent Investment Adviser Representative Jan. 2004 – Dec. 2011

Next Financial Group Jan. 2004 – May 2006

The Investment Center May 2006 – Dec. 2008

IC Advisory Services Jan. 2007 – Dec. 2008

Kovack Securities Jan. 2009 – Dec. 2011

Brittany M Class Administrative Secretary

A.S.D.H. Harrisburg Area Community College

Aspen Dental Hygienist presently employed full-time

Richards Financial 2004 – presently part-time