

Peter James Lingane, EA, CFP®

*Financial Security by Design*

852 Acampo Drive

Lafayette, CA 94549

925.299.0472 or [peter@lingane.com](mailto:peter@lingane.com)

[www.lingane.com/tax](http://www.lingane.com/tax)

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This brochure provides information about my qualifications and business practices. There are no material changes from the prior update dated March 1, 2010.

If you have questions about anything mentioned in this brochure, please contact me at the telephone number or e-mail address shown above.

An adviser, in California, who is compensated for financial planning must generally be registered with the SEC or with the California Department of Corporations. Registration does not imply that the adviser is skillful or well trained.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, the California Department of Corporations or by any other authority.

Additional information may be available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). My CRD number is 136345.

You may also contact the Securities Regulation Division of the California Department of Corporations at 916-445-7205. My file number is 925-2769.

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## DISCLOSURES

### **Certified Financial Planner™**

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

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and 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.

More than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university).

CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning.

- Examination – Pass the comprehensive CFP® Certification Examination.

The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances.

- Experience – Complete at least three years of full-time financial planning-related experience or the equivalent.

- Ethics – Agree to be bound by CFP Board’s Standards of Professional Conduct.

Individuals who become certified must complete the following ongoing education and ethics requirements:

- 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, in order to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct.

The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

## **Enrolled Agent**

An enrolled agent (EA) is a person who has earned the privilege of representing taxpayers before the Internal Revenue Service. Enrolled agents, like attorneys and certified public accountants (CPAs), are unrestricted as to which taxpayers they can represent, what types of tax matters they can handle, and which IRS offices they can practice before.

There are two tracks to becoming an enrolled agent.

- (1) You can become an enrolled agent by demonstrating special competence in tax matters by written examination.
  - Apply to take the Special Enrollment Examination (SEE);
  - Achieve passing scores on all parts of the SEE;
  - Apply for enrollment; and
  - Pass a background check to ensure that you have not engaged in any conduct that would justify the suspension or disbarment of an attorney, CPA, or enrolled agent from practice before the IRS.
- (2) You can become an enrolled agent by virtue of past IRS service and technical experience. This track requires that you
  - Possess the years of past service and technical experience;

- Apply for enrollment; and
- Pass a background check to ensure that you have not engaged in any conduct that would justify the suspension or disbarment of an attorney, CPA, or enrolled agent from practice before the IRS.

## **ADVISORY BUSINESS**

Financial Security by Design ("FSD") of Lafayette, California is a sole proprietorship. Peter James Lingane is the sole owner.

Mr. Lingane has been registered as an investment advisor in the State of California since 1998.

Business is not done in other states unless there is a *de minimis* rule.

The overarching objectives are to help customers identify their goals and to teach customers how to take responsibility for their financial affairs.

The emphasis is on retirement planning using effective strategies which can be implemented simply and at low cost.

Portfolio design is an important element. See the subsequent section entitled **Methods of Analysis, Investment Strategies and Risk of Loss**.

Customers make the ultimate decision as to the composition of their portfolios. Customers who are looking for advice on individual securities or sophisticated financial instruments are better off with another adviser.

Benchmarking is another element. Mr. Lingane uses relative historical performance to design portfolios and he monitors portfolio performance against the median performance of professional investment managers and multicomponent passive benchmarks.

Mr. Lingane does not participate in wrap fee programs and does not manage customer assets. Mr. Lingane does not provide broker-dealer services and he does not accept custody of customer assets.

The analysis of the tax implications of prospective transactions is another important service.

Mr. Lingane makes recommendations with respect to trust provisions, beneficiary designations and estate planning documents but he does not prepare legal documents.

## **FEES AND COMPENSATION**

All customers must execute an engagement letter after the introductory consultation. The engagement letter includes a summary of the services to be provided. A cost estimate is provided when it is realistic to do so.

Services are generally provided on an hourly basis. The usual fee is \$240 an hour as of March 31, 2011. This fee includes all ordinary expenses.

Specific customer approval is required for any extraordinary expenses.

Different pricing options can be negotiated. These may involve a fixed fee or may be based on the size of the portfolio.

Customers are billed for services at the end of each project phase or as agreed in the engagement letter. Fees are not deducted from customer assets. Mr. Lingane will suspend services if bills are not paid promptly.

A deposit may be required. Any required deposit will not exceed \$500.

Customers may terminate an engagement at any time and any unearned deposit will be returned promptly. Mr. Lingane may resign from an engagement at any time.

Mr. Lingane encourages an introductory telephone or e-mail discussion to identify the services desired and consistency with his skills and services. There is no charge for this introductory discussion.

An introductory consultation is charged at the usual rates or as agreed.

Mr. Lingane offers a special, fixed cost, introductory consultation. There is a comprehensive interview to understand the customer's concerns, health, assets and liabilities, financial aspirations, income tax situation, insurance needs, investment strategy, estate plan and special needs. The interview is summarized in a written report with suggested follow-up actions. This special offer costs \$1,000 as of March 31, 2011.

## **PERFORMANCE-BASED FEES**

Mr. Lingane does not charge performance-based fees.

## TYPES OF CUSTOMERS

Mr. Lingane does not require a minimum account value nor does he set other conditions for access to his firm's services.

Mr. Lingane does not offer services to pension plans.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Recommended portfolios are generally broadly diversified among different countries and types of securities. Diversification limits the risk of large losses but it also limits the potential for large gains.

*An example may be useful since "large" and "small" mean different things to different people. Two thousand and eight was not a good time for equity investments. Broadly diversified portfolios of US stocks, international stocks, real estate or commodities all declined by about forty percent. A portfolio of one third equities and two thirds bonds declined by "only" ten percent.*

*Two thousand and nine was a good time for equity investments. Broadly diversified portfolios of US stocks, international stocks, real estate or commodities rose by thirty percent or more. But a portfolio of one third equities and two thirds bonds rose "only" fifteen percent.*

***Historical evidence is suggestive but not definitive. The future relative performance of these assets classes is not guaranteed.***

The nature of the portfolio, more specifically its volatility, is matched to the customer's time horizon, willingness to accept risk and ability to sustain financial loss.

Mr. Lingane seldom recommends changing the portfolio in response to current events since he is agnostic about market direction. Mr. Lingane does not encourage "market timing" and he does not advise concerning options.

Mr. Lingane does not comment on nor recommend individual securities, other than bonds issued by the United States Treasury. His usual recommendation is a suite of mutual funds or exchange traded funds each of which tracks a particular market sector. He usually recommends low cost "index" funds. He may recommend actively managed funds, publically

traded partnerships, variable annuities or Regulation D securities in particular situations, so long as costs are below average and management has a long and distinguished track record.

## **DISCIPLINARY INFORMATION**

There are no court or regulatory actions taken or pending against Mr. Lingane.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Mr. Lingane is not registered as a broker-dealer nor has he an application pending to register.

Mr. Lingane is not registered, nor has he an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

Mr. Lingane is not a general partner in any partnership.

Mr. Lingane does not have a material relationship with any individual or firm offering brokerage, financial planning, accounting, financial, insurance, real estate or legal services.

On occasion, Mr. Lingane consults for individuals and firms offering such services.

Mr. Lingane is a member of the Financial Planning Association, the American Association of Individual Investors (AII) and the American Chemical Society. He has written professional articles for *The Journal of Financial Planning*, the *Enrolled Agent* and the *AII Journal* and he has served on the technical advisory committee of the *Journal of Financial Planning*.

He served, in 2009, as a Trustee on the investment committee of the Northern California Section of the American Chemical Society.

In order to focus on the best interests of its customers, Mr. Lingane receives no economic benefit, including commissions, equipment or services, through referrals to, or other relationship with, any broker-dealer

or any firm providing financial planning, accounting, financial, insurance, real estate or legal services.

## **CODE OF ETHICS, PARTICIPATION IN CUSTOMER TRANSACTIONS AND PERSONAL TRADING**

Mr. Lingane subscribes to the Code of Ethics of the 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 and advantage. Certificants are placed in positions of trust by clients, and the ultimate source of that trust is the certificant's 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 a certificant functions, certificants 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. Certificants 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. Certificants cooperate with fellow certificants 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.*

Simply put, Mr. Lingane pledges to put his customer's interests before his own. In addition, Mr. Lingane will not sell customer information or dispose of it in a careless manner or use it as the basis for an unsolicited sales presentation.

Customer information is kept confidential indefinitely except when the customer authorizes Mr. Lingane in writing to share the information or when disclosure is required by law or by a regulatory agency, such as the California Department of Corporations or the Certified Financial Planner Board of Standards, pursuant to a disciplinary review process.

Customers and prospective customers will receive a copy of this pledge, and of the Certified Financial Planner Board's Code of Ethics, upon request.

Mr. Lingane purchases the same securities for his personal account as he recommends to clients. Mr. Lingane ensures that clients' transactions are executed in accordance with applicable SEC and state regulations.

## **BROKERAGE PRACTICES**

An adviser who is affiliated with a broker-dealer or investment management firm may be able to offer particular securities at favorable prices.

Mr. Lingane is not affiliated with a broker-dealer.

Some investment advisers require customers to execute trades through a particular broker-dealer. Mr. Lingane's customers may select any broker-dealer.

Mr. Lingane recommends broker-dealers who offer a broad range of services, charge low fees, provide excellent service, hire knowledgeable representatives and provide informative statements and publications.

Mr. Lingane maintains his personal accounts at some or all of the broker-dealers which he recommends.

Mr. Lingane receives no research or "soft dollar" benefits in connection with customer transactions or as a result of referring customers to a particular broker-dealer.

## **REVIEW OF ACCOUNTS**

Customers receive confirmations and statements from the broker-dealer(s) maintaining their accounts. Mr. Lingane does not duplicate this reporting and generally does not monitor this reporting.

Mr. Lingane will prepare additional reports when requested or as set out in the engagement letter.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

No direct or indirect compensation is provided noncustomers in exchange for referrals.

When another individual or firm retains Mr. Lingane to provide services to their customers, Mr. Lingane may reduce his fee in consideration of the referral.

## **CUSTODY**

Mr. Lingane currently does not, and will not, accept custody of customer assets.

## **INVESTMENT DISCRETION**

Mr. Lingane does not currently possess, and he generally does not accept, discretionary authority over customer accounts.

Customers who wish Mr. Lingane to execute trades on their behalf must execute a limited power of attorney.

## **VOTING CUSTOMER SECURITIES**

Mr. Lingane currently does not possess, and will not accept, authority to vote customer securities.

## **FINANCIAL INFORMATION**

Mr. Lingane does not provide a balance sheet or other financial information to his customers.

Mr. Lingane is not required to provide financial information because

- He does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- He does not have discretionary authority or custody of customer funds or securities.
- He has not been the subject of a bankruptcy petition at any time during the past ten years.

## **EDUCATION AND BUSINESS BACKGROUND**

- Year of birth, 1940.
- AB, Chemistry, magna cum laude, Harvard College, 1962.
- PhD, Chemistry, California Institute of Technology, 1966.
- Certificate in Personal Financial Planning, with distinction, UC Berkeley, 1997.
- Fellow, National Tax Practice Institute (Representation and Practice before the IRS), 1999.
- *Financial Security by Design* since 1995.
- Licensed as a tax professional by the Internal Revenue Service since 1997.
- Licensed by the Certified Financial Planner Board of Standards since 1998.
- Investment Adviser Law Examination (Series 65), 1998.

## **OTHER BUSINESSES**

Mr. Lingane also provides Tax Planning and Tax Compliance Services. Financial Planning and Tax Services represent comparable revenues.

Tax Compliance Services include the preparation of income tax returns for individuals, trusts and estates and the preparation of estate and gift tax returns.

Mr. Lingane does not provide general accounting services nor does he prepare business tax returns other than Schedules C and E.

Financial planning customers are under no obligation to employ Mr. Lingane's tax services. Tax customers are under no obligation to use Mr. Lingane's financial planning services.

Federal law forbids Mr. Lingane to use, without prior written consent, your tax information for any purpose other than the preparation and filing of your tax returns.