

**FORM ADV PART 2A**

**R SQUARED FINANCIAL, LLC**

**Ronnie J. LaBarbera, Principal**

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**RSQUAREDFINANCIAL.COM**

**March 23, 2016**

**This brochure provides information about the qualifications and business practices of RSquared Financial, LLC. If you have any questions about the contents of this brochure, please contact us at 559-289-2041 or ron@rsquaredfinancial.com. 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 R Squared Financial, LLC also is available on the SEC's Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration as an Investment Advisor does not imply a certain level of skill or training.**

**Material Changes**

There have been no material changes to R Squared Financial, LLC since the prior brochure dated March 9, 2015.

Other amendments were made to this brochure which are not discussed in this summary consequently, we encourage you to read this brochure in its entirety.

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## **1. Advisory Business**

R Squared Financial, LLC (the "Advisor") is a Limited Liability Company established in the State of California on April 18, 2011, and became registered as an investment adviser in the state of California in June 2011.

R Squared Financial, LLC is owned entirely by Ronnie J. LaBarbera.

### **The Investment Management Service**

R Squared Financial, LLC helps its client ("Clients") develop and achieve various financial objectives by providing a disciplined and systematic investment strategy aimed at preserving and growing wealth. The **Investment Management Service** involves the determination of an asset allocation model based upon a Client's unique circumstances and objectives. In other words, the Advisor tailors its advisory services to the individual needs of each Client. The **Investment Management Service** is delivered through ongoing discussions with the client and profiling of the Client's existing portfolio, financial goals, investment experience, risk tolerance, time frame, income and tax situation. Additionally, the Advisor reviews its investment philosophy with the client to complete the initial evaluation and to establish a foundation for consideration throughout the advisory relationship. Currently, R Squared Financial LLC has approximately \$13,900,000 in assets under management, all of which is managed on a non-discretionary basis.

The Advisor studies historical asset allocation performance measurements and applies modern investment strategies to customized client portfolios. The Advisor customizes portfolios "by design" for each investor. Clients have access to a select mix of asset classes and investments through a broadly diversified investment strategy, including Domestic and Foreign Stocks and Bonds with positions in Mutual Funds and/or Individual Securities. Because of the Advisor's belief in the overall benefit of a diversified portfolio, the Advisor generally recommends a Client's portfolio include a combination of highly diversified mutual funds.

### **Personal Financial Planning**

R Squared Financial, LLC also provides personal financial planning on a case-by-case basis. In the financial planning process, the Advisor takes a very personalized, goal-oriented approach to evaluating the Client's circumstances concerning cash flow and debts, investments, insurance, estate issues, tax situation, employee benefits, risk tolerance, time horizon and personal preferences in addition to any other data the Client wishes to include that is deemed pertinent to the financial planning process. The Advisor analyzes and evaluates the Client's current financial status, then develops and presents the Client with a comprehensive plan containing written recommendations explaining the impact the recommendations will have on the Client's potential ability to meet his or her goals and objectives. The Client has the ability to accept, reject or modify the recommendations presented.

The Client is responsible for providing current and accurate financial information and communicating to the Advisor any significant information that might affect the ultimate realization of the projected

results. The suggestions and recommendations included in a financial plan will be advisory in nature, and the Advisor cannot guarantee the performance of any investment or insurance product, which may be purchased to implement recommendations in a plan. The plan will include financial projections based on assumptions about future events. The Advisor cannot guarantee that these projections or future events will take place. While the Advisor believes that the assumptions upon which the Model Allocation are reasonable, there is a risk that such assumptions prove to be incorrect

A conflict exists between the interests of the Advisor and the interests of the Client due to the financial incentive to recommend certain products based on the compensation received rather than on a Client's needs. The Client is under no obligation to act upon the Advisor's recommendations; however, if the Client does act on any of the recommendations, please also understand that the Client is under no obligation to purchase the recommended products through R Squared Financial, LLC or its affiliates. Nevertheless, the Advisor suggests that investment recommendations developed as part of the financial plan be implemented by registered investment advisors or other properly licensed professionals.

**Wrap Fees:** The Advisor does not act as an adviser or sub-adviser in any wrap fee program.

**2. Fees and Compensation**

The fees ("**Advisory Fees**") for **Investment Management Service** are computed as a percentage of the total asset value at an annual rate, computed quarterly and billed quarterly in arrears. The minimum quarterly fee is \$125. This fixed fee applies to accounts with a total asset value less than \$50,000. R Squared Financial, LLC may waive this minimum fee requirement at its sole discretion. For accounts with a total asset value equal to or greater than \$50,000, the fee schedule below applies. Fees are agreed upon at the time of engagement. For complex or unusual circumstances, fees may be negotiated.

Fee Schedule

Less than \$50,000 in assets	\$125	per quarter (fixed)	
\$50,000 to \$1,000,000	0.25%	per quarter	(1.00% annually)
\$1,000,001 to \$3,000,000	0.125%	per quarter	(.50% annually)
Portions above \$3,000,000	0.0625	per quarter	(.25% annually)

Advisory Fees may be paid directly by the Client, or by automatic deductions from the client account maintained with the custodian. If a Client elects to have Advisory Fees automatically deducted: 1) The Client shall provide written authorization permitting the fees to be paid directly from the Client's account held by the independent custodian; (2) The Advisor will notify the Client, in writing, of the exact amount of each fee withdrawal, the value of the client's assets upon which the fee was based, the specific manner in which the fee was calculated; (3) The custodian of the account shall be advised in writing of the limitation on the Advisor's access to the account; (4) The custodian will send directly to the Client a statement, at least quarterly, indicating all funds and securities and all amounts disbursed from the account, including the amount of advisory fees paid to the Advisor; (5) The Client shall be able to terminate the written billing authorization or agreement at any time.

In addition to the Advisory Fees charged by the Firm, Clients are subject to separate transaction fees and service charges that may be charged by the brokerage firm or custodian. The Advisor does not receive any portion of these charges or fees. Additional detail regarding brokerage is contained in the section of this brochure discussing **Brokerage**. A current list of custodian-related transactional charges will be provided to Clients upon request.

The Client may terminate the Advisory Agreement without penalty (full refund or no fees due) within 5 business days of signing the Advisory Agreement. After such time, the **Investment Management Service** may be terminated by either party by written notice. Termination will be effective upon receipt of the written notice. Upon termination, the client shall be responsible for any pro rata Advisory Fees.

Clients invested in mutual funds and ETFs recommended by R Squared Financial, LLC pay their proportionate share of the fund's management fees, administration fees, and sales charges, if applicable, in addition to the Advisor's fees. A complete explanation of the expenses charged by the mutual funds is contained in each fund's Prospectus. Clients are strongly encouraged to read each fund Prospectus carefully before investing. The custodian or fund sponsor will send a Prospectus when trades are placed or upon request.

The Principal of R Squared Financial, LLC, Ronnie J. LaBarbera, receives compensation from the sale of insurance products separate from Advisor fees. This may present a conflict of interest due to the financial incentive to recommend such investment products based on the compensation received, rather than on a Client's needs. Generally, the conflict is addressed by disclosing the fact that the Client is purchasing an investment product which is separate from the services of R Squared Financial, LLC, and for which our affiliated person earns compensation. It is important to note however, R Squared Financial, LLC will take into consideration insurance needs in the overall investment strategy when evaluating a Client's financial needs. Please find additional details in the section **Other Financial Industry Activities and Affiliations**.

**Financial Planning Advisory Service Fees** if any, will be charged on a flat-fee basis as agreed upon by Client and R Squared Financial, LLC. Please See "**Financial Planning Advisory Service Agreement**" separately. In exchange for the agreed amount, the service includes development and delivery of your financial plan, unlimited email communication and a review meeting. The fee will be payable to R Squared Financial, LLC within 15 days of billing, after the review meeting. This agreement is not intended to be an ongoing relationship; the

engagement will end upon delivery of the financial plan. Either party may terminate this agreement by notifying the other in writing. Any fees incurred prior to date of termination will be payable in full. As a Financial Planning Client, you are under no obligation to act on the investment advisors recommendation. Moreover, if you elect to act on any of the recommendations, you are under no obligation to effect the transaction through R Squared Financial, LLC.

### **3. Performance Based Fees and Side by Side Management**

The Advisor does not charge performance-based fees.

### **4. Types of Clients**

R Squared Financial, LLC generally provides investment advice to individuals, families, trusts, non-profit organizations, businesses, and business retirement plans. Although the Advisor does not require a minimum account size, the Advisor recommends that accounts should have at least \$50,000 due to the minimum quarterly charge.

### **5. Methods of Analysis, Investment Strategies and Risk of Loss**

R Squared Financial, LLC evaluates each Client's investment portfolio relative to the Client's **Financial Profile** and **Risk Assessment** and recommends an investment strategy that best suits the Client's needs. The general investment strategy selected will be known as the **Model Allocation**.

The **Financial Profile** involves a review of the Client's assets and liabilities in connection with determining and developing financial goals, time frame, income, investment experience, and tax situation.

The process for **Risk Assessment** involves a discussion regarding the Client's attitude for potential portfolio volatility and resulting financial loss or gain. As a basis for measurement, the Advisor and Client will jointly compare historical market volatility and performance of a broad range of asset classes, and combination of asset classes, in a variety of and circumstances.

Upon completing the **Financial Profile** and the **Risk Assessment**, the Client and Advisor together select a **Model Allocation**. The **Model Allocation** is the Client's targeted allocation of assets including Growth, Fixed and Cash oriented securities. R Squared Financial, LLC believes the Client's portfolio should be rebalanced at least annually to a range within 5 percentage points of the **Model Allocation**.

The securities recommended to fulfill the **Model Allocation** involve risk of loss that Clients should be prepared to bear. The Securities recommended will likely vary from one Client to another based upon what is in the best interest of a particular Client, and the Client's unique investment preferences. Generally, the Advisor prefers a broad range of highly diversified mutual funds. From time-to-time some Clients will already own individual securities or want to be more speculative in nature and choose to include individual securities in their portfolio holdings.

The use of a Model Allocation involves assumptions based on the historical performance of various assets classes. There is no guarantee that certain assets will replicate such performance in the future. In

addition, while the Advisor believes that the assumptions upon which the Model Allocation are reasonable, there is a risk that such assumptions prove to be incorrect. Model Allocation inherently involves diversification of investments. While diversification is designed to spread risk among different securities or asset classes, there is a risk that a diversified portfolio will not achieve as great a return as a portfolio concentrated in a single security or asset class, if that security or asset class outperforms other securities or assets in the portfolio.

All Investments are subject to market risk. Diversification cannot eliminate Market Risk, which is the possibility of experiencing losses due to broad factors that affect the overall financial markets. Examples of these broad factors include fluctuations in interest rates, general economic downturns, and political unrest.

#### **6. Disciplinary Information**

This item is not applicable to R Squared Financial, LLC.

#### **7. Other Financial Industry Activities and Affiliations**

R Squared Financial, LLC's Investment Advisor Representatives, may be independently licensed to sell insurance as California Insurance Agents. Clients may elect to obtain insurance through R Squared Financial's Investment Advisor Representatives. If this occurs, the Investment Advisor Representatives will receive separate, but customary, commissions for insurance and annuity transactions placed on behalf of R Squared Financial, LLC's Clients. Clients are under no obligation to purchase insurance products. If any Client elects to act on any of insurance recommendation, the Client is under no obligation to effect the transaction through R Squared Financial LLC's Investment Advisor Representatives.

Ronnie J. La Barbera is an Independent Contractor with a local insurance agency, Valley Wide Ag Insurance Services Inc., which offers a full line of property and casualty insurance specializing in the agribusiness industry. In his role with Valley Wide, Ronnie J. La Barbera offers commercial insurance brokerage services, and facilitates human resource benefits group health and disability benefits to the commercial clients of the insurance office. He also has operational responsibilities in the office and will refer insurance business to the agency.

#### **8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

R Squared Financial, LLC prescribes a code of ethics that requires all personnel to act with integrity, competence, dignity and in an ethical manner when dealing with the public, Clients, prospective clients, employers and employees. The code of ethics places upon R Squared Financial, LLC the duty to exercise its authority and responsibility for the benefit of its Clients, to place the interests of its Clients first and to refrain from having outside interests that conflict with the interests of its clients. The Advisor will not disclose any nonpublic personal information about a Client to any non-affiliated third party without the

Client's express permission to do so. The Advisor is also obligated under its code of ethics to maintain the security of Client information, including information stored on computers. All personnel of the Advisor are covered by this code of ethics, and failure to comply will result in disciplinary action, including possible termination. A copy of the code of ethics will be provided to Clients or prospective clients upon request.

Occasionally, the investment objectives of Clients are similar to that of Representatives of R Squared Financial, LLC and this may lead to a Representatives' personal investments in the same securities as Clients. Likewise, Representatives of R Squared Financial, LLC may have personal investments that are different from investments recommended to clients. All employees of the Firm are advised that they may not put their personal interests above those of the clients in connection with any personal investments.

### **9. Brokerage Practices**

Generally, R Squared Financial, LLC uses Charles Schwab & Co., Inc. ("Schwab") for custodial and execution services. The Advisor utilizes Schwab's services because of its competitive rates and because of the high quality and timeliness of their trade execution, as well as its administrative support. Nevertheless, Clients wishing to engage the Advisor's **Investment Management Service** may choose any broker they wish and are so informed. Such a request shall be made in writing.

Schwab or other brokers may provide R Squared Financial, LLC various services and subscriptions, at discount or no cost, to research providers such as Morningstar. As a result of receiving such services, the Firm may have an incentive to continue to use or expand the use of Schwab's services. The Advisor has examined this potential conflict of interest when choosing to enter into the relationship with Schwab and has determined that the relationship is in the best interests of the Advisor's clients and satisfies its client obligations, including the duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Adviser determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while the Advisor will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the services that may be obtained will generally be used to service all of clients, a brokerage commission paid by a specific client may be used to pay for services that are not used in managing that specific client's account. Charles Schwab provides investment advisors with timely and accurate information through a computer downloading process known as SchwabLink. SchwabLink is provided to the Advisor at no additional cost to Clients. All Advisor's Clients with assets held in custody at Charles Schwab benefit from this arrangement.

The Investment Advisor Representatives of R Squared Financial, LLC are not Registered Representatives of Charles Schwab & Co., Inc. and do not receive commissions, fees or any form of "hard dollar" compensation as a result of recommending the services of that firm.

#### **10. Review of Accounts**

R Squared Financial, LLC provides monthly reports and encourages Clients to participate in quarterly portfolio reviews. Quarterly reviews can be completed by phone, electronic device or face-to-face meetings. The reviews are conducted by the Principal of R Squared Financial, LLC, Ronnie J. LaBarbera. Clients are also encouraged to complete a Financial Plan. Clients will also receive reports from the custodian of Clients' securities. The Advisor strongly urges Clients to compare both statements to ensure accurate reporting.

#### **11. Client Referrals and Other Compensation**

This item is not applicable to R Squared Financial, LLC.

#### **12. Custody**

All client funds or securities are maintained with a qualified custodian. In the unlikely event that a Client inadvertently forwards funds or securities to the Advisor, such funds or securities will be promptly returned to the Client. Clients receive a statement from the qualified custodian on at least a quarterly basis. We urge clients to compare the statements from the qualified custodian with the reports provided by R Squared Financial, LLC.

#### **13. Investment Discretion**

R Squared Financial, LLC manages investment accounts on a non-discretionary basis. A Limited Power of Attorney (LPOA) is generally executed with the custodian holding Client assets. The LPOA provides the Advisor with the power to execute trades on the Client's behalf. However, Advisor will execute trades only after Client approval or pursuant to standing instructions. R Squared Financial, LLC will not have authority to withdraw funds or take custody of Client funds or securities, other than to deduct management fees as discussed above under the heading **Fees and Compensation**.

#### **14. Voting Client Securities**

Clients may choose to vote proxies themselves or delegate the responsibility to R Squared Financial, LLC. The Advisor's primary objective when voting proxies is to uphold the interests of portfolio assets. The Advisor will generally vote for or against proposals as follows: *in favor of* routine business decisions, Auditors, Directors, and Indemnifications of Directors; and *against* issuing new class of common stock with unequal voting rights and adoption of super majority provisions. The Advisor considers reorganizations, merger agreements, dissident proxy battles, and proposals not specified above on a case by case basis.

#### **15. Financial Information**

This item is not applicable to R Squared Financial, LLC.

#### **16. Requirements for State-Registered Advisors**

**Ronnie J. LaBarbera** Born 1965

**Education:** California Lutheran University, Thousand Oaks, CA 1988, B.S. Business Administration.

##### **Business History**

R Squared Financial, LLC, Fresno, CA, Principal, April 2011 - Present

Valley Wide Ag Insurance Services, Inc., Fresno, CA, Consultant, August 2012 - Present

Portfolio Advisors Inc., Fresno, CA, Financial Advisor, Jan. 2009 - April 2011

Charles Schwab & Co., Inc. Fresno, CA, Financial Consultant, Jan 2005 - Jan 2009

Fidelity Investments, Los Angeles, CA, Financial Representative, 2000 - 2005

Merrill Lynch, Pierce, Fenner & Smith, Woodland Hills, CA, Financial Consultant, 1999 - 2000

Fidelity Investments , Los Angeles, CA, Financial Representative, 1994 - 1999

Other Business: R Squared Financial, LLC's Principal, Ronnie J La Barbera, is also independently licensed to sell insurance in California. Additional information about Mr. LaBarbera may be found in Mr. La Barbera's Form ADV Part 2B.

**Thomas Imhof**

**Education:** California State University, Northridge, CA, B.S. Finance and Real Estate

**Business History:**

R Squared Financial, LLC, March 2012 - Present

Moss Adams Wealth Advisors, LLC, August 2007 - February 2012

Fidelity Investments, February 1998 - January 2006

Olde Discount Brokers, July 1995 - February 1998

Additional information about Mr. Imhof may be found in Mr. Imhof's Form ADV Part 2B.