

# Holcombe & McGrath

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February 28, 2011

This brochure provides information about the qualifications and business practices of Holcombe & McGrath. If you have any questions about the contents of this brochure please contact us at (828)252-8228 or [susan@holcombeandmcgrath.com](mailto:susan@holcombeandmcgrath.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.

Holcombe & McGrath is a registered investment adviser. Registration of an Investment Adviser does not imply a certain level of skill or training. Our advisers, however, hold additional educational or professional designations.

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This brochure dated February 28, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this section of the brochure will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting client services specialist, Nicole Johnson at (828)252-8228 or [Nicole@holcombeandmcgrath](mailto:Nicole@holcombeandmcgrath).

Additional information about Holcombe & McGrath is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Holcombe & McGrath who are registered, or are required to be registered, as investment adviser representatives of Holcombe & McGrath.

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## **Item 4 – Advisory Business**

Our firm was founded in 1985 by Dr. Harold Holcombe. Our firm is a full service, fee-only investment management and financial planning firm. The firm is now solely owned by Susan McGrath.

We help our clients with all aspects of their financial life. We specialize in investment management, but also have extensive expertise in the areas of estate planning, retirement and education planning, wealth management, financing, insurance, trusts, values-based or socially responsible investing and broad array of other financial matters.

We tailor our practice to the individual and unique needs of each client and make a sincere commitment to each client's family. Our goal is establish and maintain a long-term and potentially multi-generational relationship with each family in which everyone involved has a rewarding, beneficial and enjoyable experience based upon mutual trust and respect.

Clients have final approval of all financial decisions. They also may impose restrictions on investing in certain securities or types of securities.

## **Item 5 – Fees and Compensation**

Our sole source of compensation comes directly from our clients. We are wholly independent and make every effort to avoid relationships with other financial entities or professionals -- financial, referral-based or otherwise -- that could negatively impact our ability to provide our clients the very best recommendations, guidance and investment performance.

An initial meeting is free and can last thirty to ninety minutes. If both parties would like to pursue the relationship further, then the following fees apply:

1. Almost all our current clients hire us to manage their investment portfolios on an ongoing basis. Our portfolio management fee is 0.225% per quarter for assets under our management.
2. If a client's portfolio under our management maintains a value of more than \$500,000, then our hourly fee will not apply to our other extensive non-portfolio management services.
3. If a client's portfolio under our management maintains a value of less than \$500,000, an hourly fee of \$175 per hour will apply to our time spent on services outside of portfolio management.
4. A client can hire us on a strictly hourly basis, for a second opinion or for advice on specific issues; and our hourly fee of \$175 per hour will apply.

Clients retain the fee and compensation structure they agreed to at the time they initiated their relationship with the firm unless notified otherwise and they formally agree to the changes.

Ordinarily, our clients are billed quarterly based upon a set fee of 0.225% and this percentage is assessed on the client's account value on the last business day of the quarter. This fee is usually automatically and electronically collected directly from a client's investment account. However, Holcombe & McGrath is willing to arrange other billing schedules or procedures if it is more satisfactory to a particular client.

Clients with a desire to have a more limited or issue specific relationship are able to pay an hourly fee for services of \$175.00 per hour, but this infrequent arrangement often results in that client later opting for our ordinary billing arrangement.

Our fees are negotiable for high net worth clients.

Accounts initiated or terminated during a billing quarter will be charged a prorated fee. Upon termination of any account, any earned and unpaid fees will be due and collected.

**We attempt to avoid, and go to great lengths to minimize, any and all additional fees or costs that could be incurred by our clients. We have no interest in having our clients pay these additional fees or costs and do not receive any benefit from their collection.**

However, there are instances where additional costs may be unavoidable, (such as trading securities and selling investments recommended by the client's previous advisers), and our clients will experience additional fees. These additional costs may include: trading fees, certain charges imposed by custodians, brokers, third party investments and other third parties such as fees charged by managers, custodial fees, deferred sales charges, transfer taxes, odd-lot differentials, wire transfer and electronic fund fees, brokerage commissions, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds charge internal management fees which are disclosed in a fund's prospectus. If a particular client's needs are best served through investments in mutual funds, we would, as a general rule and in practice, recommend no-load funds with the lowest overall costs. In the rare case in which we feel a client would be best served through a fund that traditionally has a load attached to it, we would select the option or share class in which the load fee or charge is waived. Such costs, charges, fees and commissions mentioned in this paragraph are exclusive of and in addition to Holcombe & McGrath's fee, and Holcombe & McGrath shall not receive any portion of these commissions, fees, and costs.

Holcombe & McGrath does not accept any form of compensation or direct benefit from any recommendations to our clients for any professional or professional service, purchase or sale of any investment or insurance product, or any other act. Again, we are completely independent and our only source of income is the fees we collect from our clients.

Item 12 further describes the factors that Holcombe & McGrath considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

As of 2-28-2011, Holcombe & McGrath managed \$56,941,263 of client assets on a discretionary basis and \$5,516,183 of 401k assets managed on a non-discretionary basis. These amounts were verified by third party custodians as the combined value of client assets we managed on 2-28-2011.

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

Holcombe & McGrath does not charge any performance-based fees, such as additional fees based specifically on a share of capital gains or on capital appreciation of the assets of a client.

#### **Item 7 – Types of Clients**

Holcombe & McGrath provides financial and investment services to individuals, high net worth individuals, and for-profit or non-profit entities or businesses.

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

In choosing specific investment vehicles to be used and the composition of client portfolios, Holcombe & McGrath's independent researchers may gather information from, but not be limited to, third-party research, any and all publically available or published information, and annual reports, prospectuses and filings with the Securities and Exchange Commission.

Holcombe & McGrath uses a variety of investment vehicles to create portfolios according their clients' needs. These may include, but are not limited to, mutual funds, exchange-traded notes or funds, exchange-listed and over the counter equity securities and corporate, municipal or government debt securities.

Holcombe & McGrath uses a proprietary investment philosophy and system developed upon many years of research and the experience of managing client assets. The system does not rely upon market timing and is not heavily influenced by any one strategy, system of analysis, or investment philosophy. We feel that many investment analyses, philosophies or strategies have value and inherent strengths. However, they also all have limitations and weaknesses that affect their performance in different market environments and require knowledge, experience and skill to employ effectively.

Our proprietary, unique and independent research is informed and influenced by many different investment philosophies and focuses on broad diversification, low overall costs and the highest probability of a positive investment outcome over the long term. Client portfolios are customized to the unique needs of each and every client and are dependent upon the individual risk tolerance for the specific client and the time frame parameters given by that client.

Holcombe & McGrath clients are not guaranteed future results and are advised that investing in securities involves risk of loss that the client should be prepared to bear.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Holcombe & McGrath or the integrity of Holcombe & McGrath's management. Holcombe & McGrath has not been involved in any legal or disciplinary events.

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

Holcombe & McGrath does not have any other business activities other than their investment and financial advisory business. In addition, Holcombe & McGrath does not have any other financial industry activities or affiliations. Holcombe & McGrath does not receive any economic benefit from a non-client in connection with advising clients, nor does it compensate any person for client referrals or maintain any referral arrangement with any individual, professional or other organization.

### **Item 11 – Code of Ethics**

Holcombe & McGrath principals and employees may purchase for their personal investment accounts any of the investments that the firm recommends to clients. For such purchases, the buyer must follow the same guidelines for investing as dictated by the company policy and procedures manual.

Holcombe & McGrath has adopted the Code of Ethics and Professional Responsibility as defined by the Certified Financial Planner Board of Standards Inc. (CFP Board). Holcombe & McGrath adheres to the seven principles of Integrity, Objectivity, Competence, Fairness, Confidentiality, Professionalism and Diligence to govern its relationship with clients. All supervised persons at Holcombe & McGrath must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Holcombe & McGrath will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Holcombe & McGrath and its clients.

Holcombe & McGrath's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Nicole Johnson at (828)252-8228 or [Nicole@holcombeandmcgrath](mailto:Nicole@holcombeandmcgrath).

## **Item 12 – Brokerage Practices**

Some of the major factors we considered when choosing brokerage and custodian services for our clients were an organization's overall capacity, experience, professionalism and expertise, their attention to detail, the quality of the customer service and resources provided, and their overall fees and costs to our clients.

Holcombe & McGrath has chosen Charles Schwab & Co., Inc. to provide custody and brokerage services to their clients. In return, Schwab provides clients of Holcombe & McGrath with reduced trading fees, online-access to their accounts and a well-staffed, United States based customer service department available via telephone. In addition, Schwab waives all account custody fees for advisory clients. As a direct benefit to Holcombe & McGrath employees, Schwab provides third-party and proprietary research on securities and online instructional webcasts for continuing education purposes. While this may be an incentive for Holcombe & McGrath to use Schwab as custodian, other broker-dealer custodians offered our firm similar benefits with comparable trading fees. After using a variety of custodians over the years, Holcombe & McGrath has chosen Schwab's Institutional services to provide our client support and custodial services because we have the opinion that they offer a superior value and level of service when compared to other custodial firms available.

Since each client portfolio is managed independently and to directly serve the unique needs of that individual client, we rarely aggregate trades. When an aggregate trade would prove advantageous for clients, we would certainly do so.

## **Item 13 – Review of Accounts**

Reviews of client accounts are provided by Susan L. McGrath (Owner) and Robert E. Baschnagel (Wealth Manager/Financial Planner), both of whom have earned and maintain a CERTIFIED



FINANCIAL PLANNER™ designation. We recommend a review at least annually, but a review may be done any time a client wishes to meet and may be triggered by various financial market movements or several life-changing events such as a recent marriage, retirement, divorce, a birth or death in the family, a change in job status or amount of income, or receipt of an inheritance.

Some clients request regular, frequent meetings, while others desire to meet less often. As with most aspects of our practice, we strive to customize our service to meet the unique needs of each client. Planners and advisers at Holcombe & McGrath do not have any specific number of clients assigned to them and we employ a team approach to accomplishing the work required to meet our clients' needs.

Monthly statements are provided from our custodian, Charles Schwab & Co., Inc., showing the dollar value of all assets in each account at the beginning of the month and the last day of the month. These monthly Schwab statements also provide details for any transaction that took place in the client's account during that time period. In addition, Holcombe & McGrath provides a quarterly performance report showing the percent increase or decrease in client assets both year-to-date and from the initial date of management by Holcombe & McGrath to the present.

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

Holcombe & McGrath does not offer any compensation or any other benefit to other clients or non-clients for referrals. Holcombe & McGrath does not receive any economic benefit from non-clients as a result of investment advice or advisory services that we provide to clients. Our firm does not enter into or maintain any referral arrangements or agreements with any individual or entity.

#### **Item 15 – Custody**

Clients' investment assets are held and maintained by Charles Schwab and clients receive monthly statements directly from them. Holcombe & McGrath urges clients to carefully review such statements and compare these official custodial records to the account statements we provide.

#### **Item 16 – Investment Discretion**

Holcombe & McGrath receives discretionary authority from the client at the outset of an advisory relationship. In all cases, however, every effort will be made that such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts to be purchased or sold, Holcombe & McGrath observes the investment objective, as well as any limitations and restrictions, of the client.

When a client opens account(s) to be held by our custodian, Charles Schwab, they give a limited power of attorney to Holcombe & McGrath for trading authority and the authority to collect the management fees from each account.

### **Item 17 – Voting *Client* Securities**

As a matter of firm policy and practice, Holcombe & McGrath does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Holcombe & McGrath may provide advice to clients regarding the clients' voting of proxies upon request.

### **Item 18 – Financial Information**

Since Holcombe & McGrath does not collect fees in advance, the requirement for the firm to provide financial information has been waived.

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

Investment advisers employed by Holcombe & McGrath are required to have a minimum of a 4-year college degree and be in the process of, or already attained, their CERTIFIED FINANCIAL PLANNER™ designation.

Susan L. McGrath, DOB 12/25/1967  
Bachelor of Science, Xavier University, 1990  
Master of Science, Duke University, 1992  
Independent, fee-only financial investment manager, 1998-2002  
Holcombe & McGrath, 2002-present  
Certification as a Financial Planner, 2001

Robert E. Baschnagel, DOB 06/26/1969  
B.S. Chemistry, State University of New York at Buffalo, 1992  
Southern Appalachian Forest Coalition, positions held, in chronological order:  
Campaign Coordinator, Deputy Director, and Chief Financial Officer, 2000-2007  
Holcombe & McGrath, Wealth Manager, 2007-Present  
Certification as a Financial Planner, 2010

Holcombe & McGrath is strictly a fee-only investment management and advisory firm.