

# ***Matson Financial Advisors, Inc***

## Investment Advisor Disclosure Brochure

Client Name:

Client Address:

Date:

This disclosure brochure updated March 19, 2011 provides clients with information about the qualifications and business practices of Matson Financial Advisors, Inc. The main office is located at 103 Newtown Road in Danbury, CT 06810. You may also contact the firm through our website [www.matsonfinancialadvisors.com](http://www.matsonfinancialadvisors.com). or contact Michael Matson, President of Matson Financial Advisors, Inc. at (203) 743-0131 if you have questions about the content of this brochure. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority. Additional information about Matson Financial Advisors, Inc., is available on the Internet at [www.adviserinfo.sec.gov/IAPD/](http://www.adviserinfo.sec.gov/IAPD/). You can search this site by a unique identifying number known as a CRD number. The CRD number for Matson Financial Advisors, Inc. is 122480.

## **2. Material Changes**

Any material changes to this document will be noted in this section.

## **3. Table of Contents - Order of Topics**

- 4. Advisory Business page 1
- 5. Fees and Compensation page 3
- 6. Performance Based Fees page 4
- 7. Types of Clients page 4
- 8. Methods of Analysis, Investment Strategies and Risk of Loss page 4
- 9. Disciplinary Information page 5
- 10. Other Financial Industry Activities and Affiliations page 5
- 11. Code of Ethics, Interest in Client Transactions and Personal Trading page 6
- 12. Brokerage Practice page 6
- 13. Review of Accounts page 7
- 14. Client Referrals and other Compensation page 8
- 15. Custody page 8
- 16. Investment Discretion page 8
- 17. Voting Client Securities page 8
- 18. Financial Information page 8

## **4. Advisory Business**

### Our Company

Michael Matson is the President and founder of Matson Financial Advisors, Inc., (hereinafter referred to as MFA). MFA is an independent investment advisory firm registered with the United States Securities and Exchange Commission. Since 1994, MFA has provided Wealth Management services by combining financial planning and investment management for individuals, families, organizations and business entities. At MFA, our experienced, objective advisors use two elements of effective wealth management – financial planning and investment management – to help clients achieve financial control, stability and peace of mind.

### Our Mission

To be a thought-leading advisory firm of visionary dreamers and actionary doers where caring professionals share their expertise and passion in extending objective, comprehensive financial planning advice, in a spirit of collegial partnership with other advisors, and in accordance with the highest professional and ethical standards, moving each unique client hand-in-hand toward financial security, independence and peace of mind.

### Our Process

MFA will gather client information through an initial in-depth personal interview. During this initial interview, MFA will listen to clients' concerns and goals. They will discuss financial objectives; gather asset, liability and cash flow data and determine the adequacy of the client's insurance protection. In addition, related documents supplied by the client are also carefully reviewed. Based on this information shared in meetings and additional data provided by clients, MFA prepares a written comprehensive wealth management strategy that encompasses specific planning, investment and/or insurance solutions to achieve the client's stated goals.

### Our Difference

Believing that clients are entitled to know the costs of services in advance, MFA does not determine the wealth management advisory fee specifically on the amount of client assets under its management, but rather, on the type of services actually provided. This combination of accountability and predictability is unique to MFA's clients and affords clients the confidence that important milestones are being met as intended and costs are clearly defined for these advisory services. Unlike other traditional wealth management companies, MFA provides clients specific written financial planning and investment management "deliverables." From this deliverables list selected by the client, the firm has a clear understanding of the servicing responsibilities and is committed to working with the client to track the program.

Other Wealth Management Services - Wealth Management services may include, as applicable, all or a combination of the following services:

*Development of a comprehensive financial plan that outlines the client's current financial situation, financial goals and suggested steps to reach those goals.*

*Implement and maintain a customized Investment Policy Statement based on client objectives to be used in recommending appropriate asset allocation strategy.*

*Coordinate and establish appropriate accounts and related asset transfers.*

*Design and recommend a diversified investment portfolio with access to model portfolios. Review and recommendations would take into account any "outside" assets, i.e. 401k, trusts, etc.*

*Recommendations, as requested, regarding investment options available in the client's company sponsored retirement plan.*

*Preparation of quarterly or semi-annual asset allocation reports that provide client with specific account holdings, asset allocation breakdown and current market value of client positions for monitoring of portfolio strategy and allocation to determine if rebalancing is required.*

*Evaluate specific investment managers/ portfolio holdings (quarterly).*

*Determine methodology to provide a predictable stream of inflation-adjusted income over time.*

*Online client access to investment portfolio through secure website.*

*Online financial planning and investment account access through Wealth Management System offering daily updated consolidated financial plan, investment, banking and insurance values with secure online client access to important family documents.*

*Semi-annual planning discussions with Advisor and other professional staff to update client's goals, progress being made toward achieving goals, overview of client's financial well-being and highlights of current economic and market events.*

*Annual review meeting (call) with Advisor to update goals, progress being made toward achieving goals and overview of financial well-being.*

*Year-end tax planning discussion with the client to identify potential tax-advantaged adjustments. Maintain current cost basis date for all non-qualified positions.*

*Coordinate planning efforts with client's other professional advisors, including insurance, legal and tax experts, including strategies for philanthropic and multigenerational planning.*

*Consultation regarding client's estate planning objectives.*

*Telephone consultations as needed by client.*

*Invitations to financial seminars/forums offering time-sensitive economic and market outlooks.*

We assist clients in managing assets on a non-discretionary basis and as of March 2011 the total assets under advisement was approximately \$78,000,000.

## **5. Fees and Compensation**

### **Fee Calculation**

Fees for Wealth Management services will be charged as a fixed dollar fee. This planning/wealth management fee will typically range from \$1,500.00 to \$25,000.00 annually, depending on the particular services selected and on the nature and complexity of each client's circumstances. There is a minimum annual fee of \$1,500.00 for Wealth Management Services.

Advisor will invoice client on a quarterly, semi-annual or annual basis in arrears. Generally this fee will be deducted directly from client assets however there may be situations where client will be invoiced for advisory fees incurred. Client will be solely responsible for all commissions and other transaction/trading charges and any charge relating to the custody of securities in accounts managed by Advisor.

### **Mutual Fund Fees**

All fees paid to MFA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a distribution fee (12b-1). A client could invest in a mutual fund directly, without the services of MFA. Accordingly, the client should review both the fees charged by all funds and the fees charged by MFA to fully understand the total amount of fees paid by the client.

### **Trading and other Costs**

All fees paid to MFA for investment advisory services are separate and distinct from transaction fees charged by broker dealers associated with the purchase and sale of equity securities and mutual funds. The Advisor may receive compensation in the form of asset-based sales charges and/or service fees. In addition, fees do not include the services of any co-fiduciaries, accountants, brokers or attorneys.

If Advisor receives compensation in the form of asset-based sales charges and/or service fees from the sale or holding of securities, this can represent a conflict of interest. Advisor is bound as a fiduciary and committed to achieving client objectives by determining investment recommendations not on the amount of compensation it will receive from executing a transaction where additional compensation is generated, but rather on maintaining first and foremost the best interest of client. When other compensation is anticipated to be paid to Advisor the annual fixed dollar fee is adjusted as necessary to mitigate any conflict of interest.

#### Termination of Advisory Relationship

A client agreement may be canceled at any time, by either party, for any reason upon prior written notice. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

#### **6. Performance-Based Fees**

No fee is charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client. (Section 205(a) (1) of the Advisers Act).

#### **7. Types of Clients**

MFA provides Wealth Management services by combining financial planning and investment management for individuals, families, trusts, not-for-profit organizations, church endowments and for-profit business entities. At MFA, our experienced, objective advisors use two elements of effective wealth management – financial planning and investment management – to help clients achieve financial control, stability and peace of mind.

Fees for Wealth Management services will be charged as a fixed dollar fee. There is a minimum annual fee of \$1,500.00 for Wealth Management Services.

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

Client recognizes that there may be loss or depreciation of the value of any investment due to the fluctuation of market values. Client represents that no party to this Disclosure Brochure has made any guarantee, either oral or written, that Client's investment objectives will be achieved. Advisor shall not be liable for any error in judgment and/or for any investment losses in accounts managed by Advisor in the absence of malfeasance, negligence, or violation of applicable law

Advisory representatives may use, without limitation, any of the following methods of analysis, sources of information and investment strategies: fundamental and technical analysis; financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses and press releases. Advisory representatives may also utilize different investment strategies, based upon the needs of the client, which include long-term and short-term purchases.

Our Portfolio Management Process emphasizes the significance of the relationship between the personal goals of our clients and forecasts/trends in capital market expectations when developing customized, investment-management strategies.

**Identify Client Objectives** - Clearly defining the short and long term goals of our clients remains the single most important step in our management process.

**Investment Policy Statement** - The Investment Policy Statement is an agreement between the advisor and the client in forming an appropriate asset allocation strategy based upon the particular needs, objectives, and risk profile of the client. It incorporates the client's objectives and constraints previously identified in the first step of our investment management strategy. The IPS serves as a blueprint for the prudent investment of client assets from which an overall asset allocation strategy for various underlying investment vehicles can be created.

Our fiduciary responsibility requires that our overriding concern focuses upon the welfare of our clients and their individual goals. Of principal importance is the establishment of reasonable objectives, expectations, and guidelines in the investment of client assets as defined by the Investment Policy Statement.

**Formulate Capital Market Expectations** - Forecasting the risk/return characteristics for various asset classes forms the basis for developing portfolios that maximize the expected return for a specific level of assumed risk.

**Determine Asset Allocation Strategy** - Combining the Investment Policy Statement guidelines with our capital market expectations guides us in determining target asset class ranges within a client's investment portfolio. Permissible asset class weight ranges can also be used as a risk/volatility-control mechanism.

Asset Class Correlation: Defined as the movement of one asset class in relation to another, this is essentially the cornerstone of developing an effective asset diversification strategy. Selecting investments that are not perfectly positively correlated has the ability to not only decrease portfolio volatility within an economic cycle, but also improve volatility-adjusted returns.

Buy-and-Hold vs. Market Timing: *Sometimes the most appropriate action to take is to take none at all.* We do not believe anyone can correctly predict the idiosyncrasies of the stock market on a consistent basis. As fiduciaries of our clients' assets, we support a buy-and-hold investment strategy that allows for the prudent selection of investment vehicles we believe will serve as beneficial, long-term assets in a client's portfolio.

**Monitor / Rebalance** - Once implemented, the investment allocation strategy is periodically monitored and if necessary re-balanced, serving as an additional means of reducing portfolio volatility and ensuring an effective investment strategy is being followed. Periodic re-balancing can be an effective tool in maintaining a consistent investment strategy for our clients. Note that this can result in taxable consequences for non-qualified accounts and will be considered for each client on a case by case basis.

**Client Review & Update** - The IPS is updated on an annual basis as client situations change in order to ensure personal objectives are aligned with the investment strategy. This requires continuous communication with our clients and calls for action on their part to inform us when a material change has occurred.

**9. Disciplinary Information**

The Advisor has no legal and disciplinary events to disclose and agrees to fully disclose all material facts required in timely manner should any such items occur in the future.

**10. Other Financial and Industry Activities and Affiliations**

Michael Matson, Wayne Locke and Dave Wilson are also registered representatives of Walnut Street Securities, Inc. ("WSS"), a FINRA registered broker-dealer and may receive commissions on securities transactions. This presents a conflict of interest to the extent that Mr. Matson, Mr. Locke or Mr. Wilson recommends that a client invest in a security which results in a commission being paid to them. Approximately 20% of their time is spent in this capacity. Notwithstanding the fact that principals and associates of MFA may be registered representatives of WSS, the investment advisor representative of MFA is solely responsible for the investment advice rendered. Advisory services are provided separately and independently of WSS.

In addition, individuals associated with MFA engage in selling group and individual insurance and group retirement plans, including, 401k, health, life, disability, dental and long-term care insurance. Approximately 15% of their time is spent in this capacity.

#### **11. Code of Ethics, Participation in Client Transactions and Personal Trading**

MFA has adopted a Code of Ethics pursuant to Rule 204A-1 of the Investment Advisors Act of 1940, as amended, to prevent violations of federal securities laws. The Code of Ethics is predicated on the principle that MFA owes a fiduciary duty to its clients. Accordingly, MFA expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. All officers, directors, shareholders and employees of MFA and any other person who provides advice on behalf of MFA and is subject to MFA's control and supervision are required to adhere to the Code of Ethics. At all times, MFA and its employees must (i) place client interests ahead of MFA's; (ii) engage in personal investing that is in full compliance with MFA Code of Ethics; and (iii) avoid taking advantage of their position. Clients may request a copy of MFA's Code of Ethics by contacting Michael Matson, President of MFA at (203) 743-0131.

##### Participation or Interest in Client Transactions

As outlined in the firm's Code of Ethics which is made available to clients and prospects upon request, MFA or individuals associated with MFA may, as a broker or agent, effect securities transactions for compensation for any client. In addition, MFA or individuals associated with MFA also may buy or sell securities that it also recommends to clients. As these situations represent a conflict of interest, MFA has established the following policies/restrictions in order to ensure its fiduciary responsibilities:

- a. It is the expressed policy of MFA that no person employed by MFA may purchase or sell any covered security prior to a transaction being implemented for an advisory account and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.
- b. An employee of MFA shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his/her employment unless the information is also available to the investing public upon reasonable inquiry. No person of MFA shall prefer his/her own interest to that of the advisory client.
- c. MFA maintains a list of all securities holdings for itself and anyone associated with this advisory practice that has access to advisory recommendations.
- d. MFA emphasizes the unrestricted right of the client to decline to implement any advice rendered.
- e. MFA requires that all employees must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- f. Any employee not in observance of the above may be subject to termination.

#### **12. Brokerage Practices**

MFA does not have the authority to determine, without obtaining specific client consent, the (a) securities to be bought or sold; (b) amount of securities to be bought or sold; (c) broker or dealer to be used; or (d) commission rates to be paid. MFA will assist clients in opening one or more brokerage accounts with Walnut Street Securities, Inc. (WSS) a

FINRA registered broker-dealer. When placing portfolio transactions for client accounts, WSS's primary objective is to obtain the best price and best execution, taking into account costs, promptness of execution and other qualitative considerations. WSS evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving MFA. Also in consideration is such brokers' provision or payment of the costs of research and other investment management-related services (the provisional payment of such costs by brokers are referred to as payment made by "soft dollars", as further discussed below). Accordingly, if MFA determines in good faith that the amount of trading costs charged by a broker is reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker, the client may pay trading costs to such broker in an amount greater than the amount another broker might charge.

#### Aggregation and Allocation of Trades

It is the objective of MFA to provide a means of allocating trading and investment opportunities between advisory clients on a fair and equitable basis and in compliance with all applicable state and federal guidelines. With respect to clients' accounts with substantially similar investment objectives and policies, MFA may seek to purchase or sell a particular security in each account. MFA will aggregate orders only when such aggregation is consistent with MFA's duty to seek best execution and is consistent with the investment objective of each client. No client account will be unfairly favored over any other account. Each client that participates in an aggregated order will participate based on the average execution price in that particular security. All transaction costs will be allocated *pro rata* based on each client's participation in the transaction. All securities purchased or sold, whether the order is filled completely or partially, will then be allocated *pro rata* based on the assets of each account.

### **13. Review of Accounts**

Comprehensive wealth management and investment advice requires a regular review of a client's financial and investment situation. Although the client may engage MFA in the review of the overall financial condition, MFA encourages clients to submit to an annual review at a minimum. Other factors in a client's financial life that may trigger a meeting include, but are not limited to: change in employment, marital status, inheritance, number of dependents, education planning, family care obligations, unexpected expense, significant changes in income, employer stock grants/options, or disability.

Reviews are performed by the Investment Advisor Representative whose education and business backgrounds are outlined in the Brochure Supplement, along with other professional staff – Chartered Financial Analyst and/or Certified Financial Planner - as appropriate. Number of accounts assigned per professional is less than fifty.

As a standard practice, clients will receive quarterly portfolio reports that will provide the current market value of combined holdings as of month end. In most cases, statements are generated from the custodian (currently Pershing, LLC) monthly, but no less than quarterly. Client also will receive a confirmation of each transaction executed in accounts managed by Advisor directly from the custodian.



**14. Client Referrals and Other Compensation**

The Advisor and related persons do not compensate others for client referrals and are not compensated for providing referrals. The Advisor does not accept prizes or awards from a person who is not a client for providing advisory services to clients.

**15. Custody**

Client assets in accounts opened and managed by Advisor will be maintained with a qualified custodian(s) (the "Custodian"). Advisor will not have physical custody of any of Client's assets. Client will be solely responsible for paying all fees or charges of the Custodian. Client authorizes Advisor to give Custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for accounts managed by Advisor. Client also authorizes Advisor to instruct Custodian on Client's behalf to (a) send Client at least quarterly a statement showing all transactions occurring in such accounts during the period covered by the account statement, and the funds, securities and other property in such accounts at the end of the period; and (b) provide Advisor copies of all periodic statements and other reports for such accounts that Custodian sends to Client.

**16. Investment Discretion**

No Discretionary Authority is granted to Advisor. In order to accomplish Client's investment objectives, Advisor will, only with Client's prior written or oral approval, buy, sell, or otherwise trade securities or other investments. Such securities may include, but are not limited to, common or preferred stock, convertible stocks or bonds, options, warrants, rights, corporate, municipal, or government bonds, and notes or bills.

**17. Voting Client Securities**

MFA does not vote proxies on behalf of its clients. Therefore, although MFA may provide investment advisory services relative to client investment assets, MFA's clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client's investment assets. MFA and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. In addition, MFA will not be responsible for handling client claims in class action lawsuits involving securities owned by the client.

**18. Financial Information**

The Advisor does not require pre-payment of fees, does not maintain custody of client funds and has not been the subject of a bankruptcy petition.

### Client Acknowledgement

The undersigned client acknowledges that he or she has received, read and understands the contents of this ADV 2A Disclosure Brochure.

The annual fixed fee will be: \$

Billed \_\_\_\_\_ quarterly beginning April 20xx and deducted directly from the account.

**CLIENT(S)**

**MATSON FINANCIAL ADVISORS, INC.**

Name:

\_\_\_\_\_  
Signature

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Name:

\_\_\_\_\_  
Signature

Date: \_\_\_\_\_

Routing: ☐ Original- Client

☐ Copy- Advisor

*Copies of Part 2A Form ADV and firm Code of Ethics are available on request.*