

# McGregor Financial Advisors, LLC

## Investment Adviser Brochure and Brochure Supplement

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**This brochure and brochure supplement provide information about the qualifications and business practices of McGregor Financial Advisors, LLC, and about Barry T. Kight. If you have any questions about the contents of this brochure or brochure supplement, please contact Barry Kight at 803-787-2299 or [bkight@sc.rr.com](mailto:bkight@sc.rr.com). The information in this brochure and brochure supplement has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Being “registered” as an investment adviser or investment adviser representative does not imply a certain level of skill or training.**

**Additional information about McGregor Financial Services, LLC, or Barry T. Kight also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Material Changes**

### New Format for this Brochure

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a brochure and brochure supplement in a narrative, “plain English” format. State securities regulators also require this new brochure and brochure supplement. Previously, securities regulators required that an adviser provide or offer to provide a brochure that was primarily in a “check-the-box” format. This brochure and brochure supplement have been prepared in accordance with the new regulatory requirements; therefore, it is different from the brochure dated June 1, 2009, that McGregor Financial Services, LLC, provided or offered to provide last year.

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## **Introduction**

Through its investment adviser representative, McGregor Financial Advisors, LLC (“MFA”), provides investment advisory services to clients. MFA is registered as an investment adviser through the United States Securities and Exchange Commission (“SEC”). The purpose of this brochure and brochure supplement is to provide important information about MFA, its investment adviser representative, and the investment advisory services that they provide to clients and prospective clients.

## **Advisory Business**

MFA has been providing investment advisory services to its clients since 1998. MFA is a limited liability company organized in 1998 in South Carolina. MFA’s principal owner is Barry T. Kight, LLC, which is owned by Barry T. Kight. Pursuant to the operating agreement, McGregor & Company, L.L.P. holds an income interest, but does not have a capital interest, in MFA. Mr. Kight is MFA’s principal executive officer, its sole management person, and chief compliance officer.

### Types of Advisory Services

MFA provides personalized financial planning and portfolio management services for wide range of entities including individuals, businesses, retirement plans, trusts, estates, and charitable organizations. Portfolio management is the primary advisory service. MFA provides financial planning as part of its portfolio management service.

As part of its portfolio management service, MFA buys, sells, exchanges, converts, and otherwise trades stocks, bonds, mutual funds, and other securities in a client’s account. MFA places orders for the execution of these transactions through one or more broker-dealers. MFA performs these portfolio management services on a discretionary basis, meaning that MFA has the authority to decide which securities to purchase and sell for the client.

### Tailoring Advisory Services to the Individual Needs of Clients

MFA tailors its advisory services to the individual needs of its clients. MFA works closely with each client to determine the client’s needs on a case-by-case basis. In doing so, we carefully create an investment plan that meets the client’s individual goals and circumstances. MFA and each client documents this investment plan on a written Investment Policy Statement (“IPS”). The IPS includes the client’s investment objectives, time horizon, risk tolerance, asset allocation, and liquidity needs.

Clients may impose restrictions on investing in certain securities or types of securities by providing such notice in writing to MFA.

### Managing Client Assets

As of December 31, 2010, MFA managed approximately \$63,000,000 in client assets on a discretionary basis and no client assets on a non-discretionary basis.

## **Fees and Compensation**

### Compensation for Investment Advisory Services

MFA's advisory fees are based on a fixed fee or a percentage of assets under management. When MFA's fee is based on a percentage of assets under management, the following maximum fee schedule applies:

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$250,000	1.50%
\$250,001 - \$500,000	1.25%
\$500,001 - \$750,000	1.00%
\$750,001 - \$1,000,000	0.75%
Over \$1,000,000	0.50%

MFA's advisory fees are negotiable.

### How Clients Pay Investment Advisory Fees

MFA directly deducts its advisory fee for portfolio management services from each client's account. MFA prorates the annual fee and deducts it quarterly from client accounts. The advisory fee is paid in arrears.

### Other Types of Fees and Expenses Clients May Pay

Other than the advisory fees paid to MFA, clients pay other fees and expenses, such as brokerage and other transaction costs, custodial fees, and mutual fund expenses. Expenses charged by mutual funds are described in the applicable fund prospectus and include payment to the manager of the mutual fund.

See the section titled "Brokerage Practices" for additional information.

### Payment of Investment Advisory Fees In Advance

Clients generally do not pay advisory fees to MFA in advance.

### No Other Compensation

Neither MFA nor Barry T. Kight accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### **Performance-Based Fees and Side-by-Side Management**

Neither MFA nor Barry T. Kight accepts performance-based fees. They also do not manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee.

### **Types of Clients**

MFA provides investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

MFA does not generally impose a minimum dollar value of assets or other conditions for starting or maintaining an account.

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

Investing in securities involves risk of loss that clients should be prepared to bear. Although MFA uses certain methods of analysis and investment strategies to reduce that risk, these methods of analysis and investment strategies cannot eliminate that risk of loss.

### Methods of Analysis

MFA uses the following methods to analyze securities: fundamental, technical, and cyclical analysis. The main sources of information used by MFA include research materials prepared by others.

The material risks associated with these methods of analysis are that the information obtained and used is incomplete or inaccurate; that too much reliance is placed on one fundamental, technical, or other indicator; or that the analysis performs quickly becomes obsolete because of external events, like a natural catastrophe, an event of systemic importance, or the release of previously unknown, yet material, information (e.g., a company has been issuing fraudulent financial statements).

## Investment Strategy

MFA's investment strategy is to create a well-diversified mix of assets that can be expected to generate acceptable long-term returns commensurate with the level of risk suitable to the client. MFA generally constructs a client's portfolio by allocating a client's assets among a diverse range of asset classes using mutual funds or direct fixed-income obligations. In general, investments are limited to mutual funds or other securities in the following categories:

- Cash and cash equivalents, including money market funds and bank certificates of deposit;
- Bonds (investment grade or better corporate, U.S. government, municipal, or foreign government);
- Stocks (U.S. or international); and
- Real estate (real estate investment trusts or REITS).

MFA considers investing in equity and bond markets to be a long-term strategy. Clients should allow at least a five-year time period for achieving their investment return objectives.

MFA also works with its clients to determine the client's cash needs. When a client needs liquidity within five or six years, MFA will place an appropriate amount of the client's assets into cash or cash equivalents.

The material risks involved in this investment strategy are that all or substantially all asset classifications loss value at the same time, that specific securities markets or securities markets in general unexpectedly decline, that the economy of the United States or other countries enter into a recession or fail, and that a client does not adequately assess his cash needs and therefore needs to liquid securities at an inopportune time. One or more of these events could occur if a company or a government-sponsored enterprise that poses a systemic risk to an economy fails.

## **Disciplinary Information**

Neither MFA nor Barry T. Kight has been involved in any legal or disciplinary event that are material to a client's or prospective client's evaluation of MFA's advisory business or the integrity of its management.

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

MFA and Barry T. Kight, MFA's principal officer and management person, have arrangements that are material to its advisory business or its clients with McGregor & Company,

L.L.P. McGregor & Company is a CPA firm that, as noted above, holds an income interest in MFA.

First, McGregor & Company provides office space and support to MFA. Additionally, pursuant to the operating agreement, McGregor & Company receives a share of MFA's advisory fees. McGregor & Company receives up to 40% of MFA's advisory fees paid by persons who are also clients of the CPA firm.

Second, Barry T. Kight is a CPA, who is registered as such through McGregor & Company. Mr. Kight is an income partner of the CPA firm and no longer a capital partner. He provides tax services for clients of McGregor & Company, spending approximately 250 hours per year doing so. Mr. Kight receives income from McGregor & Company based on a percentage of the fees billed for his tax services.

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

MFA has adopted a code of ethics, and MFA will provide a copy of its code of ethics to any client or prospective client upon request. Pursuant to its code of ethics, MFA and its employees are subject to the following specific fiduciary obligations when dealing with clients:

- The duty to have a reasonable, independent basis for the investment advice provided;
- The duty to obtain best execution for a client's transactions where MFA is in a position to direct brokerage transactions for the client;
- The duty to ensure that investment advice is suitable to meeting the client's individual objectives, needs, and circumstances; and
- A duty to be loyal to clients.

Barry Kight may buy or sell for his own personal accounts investment products identical to those recommended to clients. Generally, this may present a conflict of interest because Mr. Kight may be able to obtain the security at a better price than the client based on such factors as when Mr. Kight places its trade compared to when MFA causes the trade in the client's account to be executed. However, because most of the securities bought in a client's account are mutual funds or bonds heavily traded on national exchanges, Mr. Kight's ability to benefit from personal trading at the expense of MFA's clients is limited. Mr. Kight does not receive a better price than his clients when he buys or sells the same security.

### **Brokerage Practices**

When MFA places orders for the execution of trades in a client's account, unless otherwise instructed by the client in writing, MFA allocates such trade to broker-dealers at such prices and at such commissions rates as in MFA's good faith and judgment will be in the best interests of the client. In so doing, MFA considers not only the available prices and rates of brokerage commissions, but also other relevant factors such as, without limitation, execution



capabilities, research and other services provided by such broker-dealers that are expected to enhance MFA's general portfolio management capabilities and the value of any ongoing relationships with such broker-dealers. Accordingly, although MFA will seek competitive commission rates, MFA may not necessarily obtain the lowest possible commission rates for account transactions. MFA recommends or selects only unaffiliated, FINRA-member broker-dealers.

MFA uses Schwab Institutional as the broker-dealer on all client accounts and uses it to effect all client trades. Schwab Institutional has competitive commission rates and a good reputation for integrity and client service.

#### Research and Other Soft Dollar Benefits

MFA receives certain research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft-dollar benefits"). MFA generally places its clients in mutual funds managed by Dimensional Funds Advisors ("DFA"), a third-party investment adviser. DFA provides to MFA software and seminars at no direct cost to MFA. MFA receives access to client accounts and research from Charles Schwab, the broker-dealer and custodian. In 2010, MFA received from DFA software that allowed access to statistics and other information used to make investment choices, including rates of return on funds, capitalization size and weight, data concerning asset classification, and historical returns on hypothetical portfolios. In 2010, MFA received from Schwab access to client accounts and various proprietary and other research materials. MFA uses these soft-dollar benefits to service all of its clients' accounts and does not seek to allocate soft-dollar benefits to client accounts proportionately to the soft-dollar credits the account generates.

#### Brokerage for Client Referrals

MFA does not consider, in selecting or recommending broker-dealers, whether it or a related person receives client referrals from a broker-dealer or a third-party.

#### Directed Brokerage

As stated above, MFA uses Schwab Institutional to execute securities transactions; however, MFA permits a client to designate the broker-dealer that will execute his securities transactions (i.e., a client may direct brokerage). When a client directs brokerage, MFA may be unable to achieve most favorable execution of client transactions. Accordingly, directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may receive less favorable prices.

### Aggregation of Trades

MFA does not aggregate the purchase or sale of securities for various client accounts. The vast majority of its transactions are the purchase and sale of mutual funds, which are purchased and sold at the net asset value at the end of a trading day. Aggregation, therefore, is not applicable to mutual funds.

### **Review of Accounts**

Barry T. Kight, MFA's investment adviser representative, reviews all accounts on at least an annual basis; however, many accounts are reviewed every three to six months. The review consists of evaluating the amount of cash in a client's portfolio, investment allocations and whether a re-balancing of a client's portfolio is appropriate, and buying or selling securities as appropriate with each client's investment policy statement.

Additional reviews are conducted as needed. These "as needed" reviews may be performed when a client's financial circumstances have materially changed or when changes in the applicable securities markets dictate a review.

Clients receive monthly brokerage statements from the custodian and quarterly reports from MFA.

### **Client Referrals and Other Compensation**

No person, other than a client, provides an economic benefit to MFA for providing investment advice or other advisory services to MFA's clients.

Neither MFA nor any related party has a relationship with any person to compensate that person for client referrals.

### **Custody**

MFA does not have custody of clients' funds or securities.

### **Investment Discretion**

MFA manages client accounts on a discretionary basis (i.e., MFA does not have to get the client's consent before purchasing or selling securities in a client's account). When MFA accepts a discretionary account, MFA will do the following:

- Enter into an investment advisory contract with the client that grants discretionary authority to MFA.

- Ensure that the client signs any document required by the custodian regarding this grant of discretionary authority.
- Ensure that the appropriate authorizing document(s) is submitted to the custodian.

### **Voting Client Securities**

MFA will not accept authority to vote client securities and is not required to take any action or render any advice with respect to the voting of proxies solicited by, or with respect to, the issuers of securities in which a client's assets may be invested. Clients will receive proxies or other solicitations directly from their custodian or transfer agent. Clients may contact MFA in writing with questions about a particular solicitation, but MFA has no duty to offer any advice or to perform any related research concerning the matters being solicited.

### **Financial Information**

No financial condition exists that is treasonably likely to impair MFA's ability to meet its contractual commitments to clients.

### **Brochure Supplement of Barry T. Kight**

#### Educational Background and Business Experience

Barry T. Kight was born in 1946. He received a Bachelor of Science degree in Accounting from the University of South Carolina. Mr. Kight's business background includes the following:

- McGregor Financial Advisors, LLC, Managing Member and Investment Adviser Representative, 1998 – present.
- McGregor & Company, L.L.P., Partner and CPA, 1971 – present.

Mr. Kight is also a Certified Financial Planner ("CFP") and Chartered Financial Analyst ("CFA").

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. Currently, 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:

1. 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;
2. 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;
3. Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
4. Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

1. 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*, to maintain competence and keep up with developments in the financial planning field; and
2. 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.

The CFA Institute awards the CFA designation. The CFA program is a college level self-study program combining a broad-based curriculum of investment principles with professional conduct responsibilities. To earn a CFA charter, one must do the following:

1. Have four years of qualified investment work experience;
2. Become a member of the CFA Institute;
3. Annually pledge to adhere to the CFA Institute’s Code of Ethics and Standards of Professional Conduct;
4. Apply for membership in a local CFA member society; and

5. Complete the CFA Program by studying for and passing three six-hour exams.

#### Disciplinary Information

Mr. Kight has not been involved in any legal or disciplinary events that are material to a client's or prospective client's evaluation of him.

#### Other Business Activities

As disclosed above in the section titled "Other Industry Activities and Affiliations," Barry T. Kight provides tax services for clients of McGregor & Company, spending approximately 250 hours per year doing so. He is also an income partner in McGregor & Company. He receives compensation for his tax services.

#### Additional Compensation

No one, other than a client, provides an economic benefit (e.g., sales awards, other prizes, or bonuses based in part on the number of amount of sales, client referrals, or new accounts) to Barry T. Kight for providing advisory services.

#### Supervision

MFA is a one-man investment advisory firm; therefore, Barry T. Kight is responsible for all activities of MFA. MFA has adopted policies and procedures and a code of ethics that give Mr. Kight instructions and assistance in ensuring, but not guaranteeing, that he and MFA comply with applicable laws and that the investment advice that he provides is proper.