

Firm Brochure

(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of The Asset Advisory Group, Inc. (TAAG) If you have any questions about the contents of this brochure, please contact us at: (513) 771-7222, or by email at: info@taaginc.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 TAAG is available on the SEC's website at www.adviserinfo.sec.gov. The CRD number for TAAG is 107929.

January 16, 2012

Material Changes

Introduction

The U.S. Securities and Exchange Commission (SEC) issued a final rule in July 28, 2010 requiring advisors to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization that are followed in this document.

In the past, TAAG provided this brochure to clients on at least an annual basis. Based on the new SEC Rules, TAAG will provide its clients with a summary of any material changes to this Brochure within 120 days of the close of TAAG’s fiscal year. TAAG may provide other ongoing disclosure information about material changes as necessary.

Material Changes since the Last Update

There have been no material changes to TAAG’s business practices or qualifications since the preparation of our last brochure on March 22, 2011.

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Advisory Business

Company Overview

The Asset Advisory Group, Inc. (TAAG) is an independent wealth advisory company that was founded in 1988 by Jeannette Jones, and incorporated January 1996. Jeannette Jones and Christine Carleton are the owners of the company.

Our mission is to provide financial guidance to enhance the well being of individuals and families, and we do this by placing the interests of our clients first at all times. TAAG provides personalized investment management and financial planning services to individuals, their trusts and estates. These services include:

1. Clarifying financial objectives and identifying financial concerns
2. Planning for retirement and other goals
3. Designing an investment plan to reach client goals
4. Managing investments
5. Tax planning and coordination with client's CPA
6. Estate planning and coordination with client's attorney
7. Assistance with other financial decisions that arise throughout a client's lifetime

TAAG is a fee-only financial planning and investment management company, therefore we do not sell annuities, insurance, limited partnerships, or other commissioned products. We are not affiliated with entities that sell financial products or securities. No commissions, referral or finder's fees in any form are accepted. Our only compensation comes from our clients' fees.

Types of Advisory Services Offered

TAAG combines investment management, financial planning and financial guidance in its Investment Advisory Service to its clients. These services are provided by the Investment Advisor Representatives (Advisors) of the company.

At the beginning of a relationship, we work with our client to determine their goals and objectives and prepare a written evaluation of their current situation. An initial plan for accomplishing their financial goals is prepared, and a risk questionnaire is completed by the client. Using the results of the risk questionnaire and information gathered from our discussions, we develop an investment asset allocation plan. An Investment Policy Statement (IPS) is completed to document the investment plan.

This IPS is used to determine the investment purchases and sales that will be made on the client's behalf. TAAG places trades under a limited power of attorney, but does not act as a custodian of client assets. Instead, the client is asked to choose Fidelity Institutional or Schwab Institutional services to act as custodian.

TAAG contacts clients regularly to schedule meetings, to monitor their progress against their goals and objectives, update their plan, and review their investment results. In between meetings, client portfolios and plans are reviewed frequently by Advisors to determine whether any change is recommended.

Assistance is also provided for issues that arise with family members, including managing investments for parents, children and grandchildren. As goals and objectives change, and life events occur, we continually update the financial plan and provide advice and assistance as part of our on-going relationship.

Other professionals, such as lawyers, accountants, insurance agents, etc., are engaged directly by clients on an as-needed basis. TAAG will provide referrals to any other professionals needed and will attend joint meetings with these other advisors, at the client's direction.

The above services are provided under our Investment Advisory Services Agreement, and are recommended for clients with portfolio values in excess of \$500,000. In certain circumstances, TAAG may choose to work with clients who do not meet this portfolio value minimum, and their fees will be set based on the complexity of their situation. The details regarding our fees can be found under **Fees and Compensation**.

How We Tailor Our Client Relationships

Financial Planning

The goals and objectives for each client are documented in our client relationship management system, within the client financial plan, and meeting notes. Clients also dictate how frequently they wish to meet and their preferred methods of communication with us.

Investment Management

Recommendations regarding investments are made to clients only after reviewing their current investments, their ability and desire to handle risk, personal goals and objectives, and other relevant information acquired through personal interviews and questionnaires.

Investment Policy Statements are created that reflect the stated goals and objectives of the client's portfolio. Clients may impose restrictions on investing in certain securities or types of securities and these are documented in the IPS as well. Investment portfolios are managed at the individual client account level, so trades are placed based on each client's specific tax situation, cash flow needs, and other considerations.

Client Assets Managed

As of December 31, 2011, TAAG managed \$218,199,000 in assets for 195 client families. Approximately \$206,838,000 is managed on a discretionary basis, and \$11,361,000 is managed on a non-discretionary basis.

Fees and Compensation

How We Are Compensated

TAAG's only compensation comes from our clients' fees, which helps eliminate conflicts of interest. We receive no commissions, referral or finder's fees in any form.

Fees are charged quarterly, and are calculated as a percentage of the discretionary investments we manage for each client, based on the following schedule:

<u>Market Value of Portfolio</u>	<u>Quarterly Rate</u>	<u>Annual Rate</u>
First \$1,000,000	0.2500 %	1.00 %
Next \$1,500,000	0.1875 %	.75 %
Next \$2,500,000	0.1250 %	.50 %
Over \$5,000,000	0.0625 %	.25 %

The minimum annual fee for our services is \$5,000; therefore clients with accounts below \$500,000 will pay a higher annual percentage rate. TAAG reserves the right to waive the minimum annual fee, aggregate family accounts to reach lower fee tiers, or reduce the overall fee under special client circumstances.

Fees are payable after services are performed (in arrears) based on the total market value of the client's managed accounts reported at the end of the quarterly reporting period (March 31, June 30, September 30 and December 31). Fees are pro-rated for the first partial quarter when a new account is opened.

Fees will be adjusted for any material capital flows in or out of the client's accounts during the quarter. Material outflows will be added to the bill for the days they were held prior to quarter end. For inflows, there will be a credit on the bill for the days the funds were not held in the account during the quarter.

Clients are permitted to terminate their agreement for services at any time with written notice. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value as of the date of notification of the termination will be used as the basis for the fee calculation, with a credit adjustment for any days still remaining in the quarter.

How We Collect Our Fees

Our fees are charged quarterly, in arrears, after services have been performed and the billing period has ended. Fees are deducted from designated client accounts. Clients must consent in advance for Fidelity or Schwab to deduct the fees from their

account and the fees will be clearly noted on the client's statements. Neither Schwab nor Fidelity is responsible for the accuracy of the fee calculation.

Other Fees and Expenses

TAAG recommends a qualified third-party custodian to hold client accounts, to ensure an independent accounting and valuation of assets. As custodians, Fidelity and Schwab charge transaction fees on purchases and sales of mutual funds and stocks, which generally range between \$7.95 and \$25 per trade, but may be higher. TAAG does not receive any portion of these transaction charges

Mutual funds charge a management fee for their services as investment managers. This management fee is called an expense ratio, and is an additional cost to clients. These fees are not shared with TAAG.

TAAG works to minimize the transaction fees on client accounts through reasonable trading; and mutual management fees by selecting funds that maintain below average annual expense ratios compared to their peer group funds. The average-weighted expense ratio for a typical TAAG portfolio ranges between .20% and .35%.

Termination of Services

The Investment Advisory Services Agreement may be terminated by a client or TAAG at any time simply by written notice to the other party. If either cancels the Agreement, fees will be pro-rated through the date of cancellation and charged to the client's account before assets are transferred away from TAAG's management.

Performance-Based Fees

Sharing of Capital Gains

To avoid potential conflicts of interest, TAAG does not charge a performance-based fee, which is a fee based on the capital gains or capital appreciation of a client's funds.

TAAG does not use a performance-based fee structure because this form of compensation may create an incentive for TAAG to recommend investments that carry a high degree of risk to the client, in the hopes that accounts will experience significant gains, and therefore higher fees.

Types of Clients

Description

TAAG focuses on serving individuals, families, their trusts and estates.

TAAG feels that it is important for an investment advisor and its clients to have a good working relationship. To meet this goal, we hold an initial meeting, free of charge, for any individual interested in using our services. In this meeting we discuss what they are looking for in an advisor, our investment philosophy, their financial concerns and goals, and other issues to determine whether we might be a good fit.

If the potential client wants to proceed, we then prepare an initial set of recommendations, and further explanation of our financial planning and investment processes, and present this in a second meeting – also free of charge. Once this meeting is held, and both the individual and TAAG are in agreement, they will become a client.

TAAG does not require potential clients to meet a minimum investment net worth requirement, however the minimum annual fee for our services is \$5,000; therefore clients with accounts below \$500,000 will pay a higher annual percentage rate than our highest stated rate. TAAG reserves the right to waive the minimum annual fee, aggregate family accounts to reach lower fee tiers, or reduce the overall fee under special client circumstances.

Methods of Analysis, Investment Strategies and Risk of Loss

Our Investment Philosophy

We believe that investment markets are efficient over the long term. The most important factors in determining your investment returns are how your assets are allocated, and how you respond to market volatility.

Using information gathered from our clients via risk questionnaires, client-provided financial data, and discussions about goals and concerns; we develop an investment allocation that is a blend of what they can tolerate emotionally, and what they need to accomplish financially to meet their goals. We believe in setting realistic expectations and do not promise the unachievable.

We do not move in-and-out of the market based on predictions of the market's future direction, invest in "hot" sectors, or chase the next best mutual fund or stock because we do not believe these tactics work. Instead, after determining your appropriate asset allocation, we implement your investment plan using low cost, institutional mutual funds with the goal of capturing as much of the markets' returns as possible.

Our Investment Strategy

To implement our investment strategy, we use institutional mutual funds designed to capture the return behavior of entire asset classes. This differs from a traditional passive management approach in which indexes are merely replicated. Rather than simply tracking traditional market indexes, we use funds that are designed to capture specific dimensions of risk identified by financial science.

We rebalance our client accounts back to their original asset allocation when they stray more than 20% from their target for each asset class. This discipline enables us to buy low and sell high without the need to forecast the movement of the markets, and allows our clients to use market volatility to their long-term advantage.

The investment strategy for each client is based on their asset allocation documented in their individual Investment Policy Statement. Decisions to buy or sell investments are made at the individual client account level, in order to address cash flow and tax considerations.

When transitioning a client's investment portfolio out of a concentrated stock position, other strategies that may be used include covered option writing and limit orders.

Risk of Loss

As we work with clients to develop long-term investment plans, we educate them about the various risks that are involved in investing. All investment securities, including mutual funds, contain a risk of loss of income and principal. Clients should not assume that future performance of any specific investment or investment strategy, including those recommended by TAAG, will be profitable or achieve any specific performance level.

Disciplinary Information

Legal and Disciplinary Events

TAAG and its employees have not been involved in any legal or disciplinary events related to past or present clients.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

TAAG is not registered as a broker-dealer and no advisors within the company are registered representatives of a broker-dealer. Our company does not sell any commissioned products or securities. Our only compensation comes from our clients' fees.

Affiliations

TAAG has no arrangements with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading advisor, futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

TAAG does not receive any compensation from other investment advisors or from the investment companies that we use to implement our client investment plans.

TAAG is a fee-only financial planning and investment management firm that places its clients' interests first. The firm does not sell annuities, insurance, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions, referral or finder's fees in any form are accepted. Our only compensation comes from our clients' fees

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

Code of Ethics

As a fiduciary, TAAG has the duty to act solely in the best interests of each of our clients. This fiduciary duty is the core principal of our company's Code of Ethics, and is the basis of all of our dealing with our clients.

The Code is designed to ensure that the high ethical standards maintained by TAAG continue to be applied. The purpose of the Code is to preclude activities that might lead to, or give the appearance of conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct.

TAAG and its employees are subject to the following specific fiduciary obligations when dealing with our 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 when we are in a position to direct brokerage transactions for our client;
- The duty to ensure that investment advice is appropriate for the client's objectives, needs and circumstances;
- The duty to be loyal to clients; and
- The duty to treat all clients equally.

A complete copy of the Code of Ethics is available on request.

Participation or Interest in Client Transactions

TAAG and its employees do not recommend investments in which any employee or related individual has a material financial interest.

Personal Trading

Our client investment strategy is implemented using primarily mutual funds, and TAAG and its employees may invest in the same mutual funds as its clients. However, these employee purchases or sales are not material to the outstanding shares of the funds, and are unlikely to affect the securities markets.

Brokerage Practices

Selecting Brokerage Firms

TAAG generally recommends Fidelity Investments or Charles Schwab & Company to act as custodian of our client investment accounts. Factors we consider when recommending a custodian include their ability to hold the institutional investments we use to implement our investment strategy, their financial strength, reputation, execution, pricing and service. The Asset Advisory Group does not receive fees or commissions from either Fidelity or Charles Schwab & Company.

Soft Dollars

TAAG and its employees do not receive any financial compensation from brokerage referrals, nor does it receive any target or customized research, etc. TAAG will receive general research reports from both Fidelity and Schwab that all such investment advisors receive.

Brokerage for Client Referrals

The Asset Advisory Group does not participate in any broker-dealer referral program, and therefore their decision to use one firm over another is not influenced by this benefit.

Directed Brokerage

The Asset Advisory Group's policy is not to accept advisory clients' instructions for directing a client's transactions to a specific broker-dealer (other than the client's initial decision to custody their accounts with Fidelity or Schwab). We feel this policy achieves the most favorable execution of all client transactions and is less costly to clients overall.

Order Aggregation

Most of The Asset Advisory Group's trades are in mutual funds where trade aggregation does not garner any client benefit. For individual stocks, order aggregation is not used due to our policy of rebalancing our client accounts at the individual client level, where we can take into consideration taxes and other individual issues before making a decision to place a trade.

Review of Accounts

Periodic Reviews

Account and financial plan reviews are performed by Advisors Christine Carleton, Chip Workman, and Jeannette Jones. These reviews are performed prior to client meetings, in connection with the quarterly reporting process, and at least annually for all financial plans. In addition, investment account reviews are conducted weekly for all clients, and more frequently when market conditions dictate.

Review Triggers

Other conditions that may trigger a review of a client's financial plan or investment strategy are changes in a client's financial needs, changes in their personal circumstances, and income or estate tax changes.

Regular Reports

Clients receive monthly updates on various investment and financial planning issues that are sent out according to the client's preferred method of communication.

As mentioned previously, TAAG recommends independent, qualified custodians to hold client assets. Custodians directly provide clients with account statements at least quarterly.

In addition, TAAG provides quarterly investment performance reports with portfolio performance information, benchmark data for comparison, investment holding details, and a written cover summary of the quarter.

Client Referrals and Other Compensation

Incoming Referrals

TAAG has been fortunate to receive many client referrals over the years. These referrals come from current clients, attorneys, accountants, personal friends of employees and other sources. The firm does not compensate referring parties for these referrals.

Referrals Out

TAAG does not accept referral fees or any form of compensation from other professionals when a prospect or client is referred to them.

Referrals are made out to other professionals only when TAAG feels that they are the best qualified to help our clients.

Custody

Account Statements

All client assets are held at qualified custodians: Fidelity Investments or Charles Schwab & Co. These custodians provide account statements directly to clients at their address of record at least quarterly. In addition, clients have access to their account activity, balances and other information via both company web sites at all times.

Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the quarterly performance reports provided by TAAG.

Investment Discretion

Discretionary Authority for Trading

TAAG does not take custody of client accounts. In order to implement our investment services described under **Our Investment Strategy**, TAAG obtains discretionary investment authority to allow us to place trades in client accounts on their behalf, so that we may promptly implement the investment policy that they have approved in writing.

Once an Investment Policy Statement has been developed and signed by the client, TAAG has the authority to buy and sell holdings to bring the portfolio back into balance with its original targeted allocation.

For any account designated as Non-Managed, an Advisor will consult with the client to obtain agreement before executing any trades.

Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. When paperwork is prepared to open an account at the chosen custodian, clients sign a limited power of attorney so that we may execute trades needed to implement their Investment Policy Statement.

Voting Client Securities

Proxy Votes

As discussed in **Our Investment Strategy**, TAAG primarily uses mutual funds to implement our investment strategy. Proxy voting policies are most relevant for advisors who use individual securities as their primary investment vehicle. TAAG does not vote proxies, however we will provide recommendations to clients when our assistance is requested. If a conflict of interest exists, it will be disclosed.

Clients will receive proxies and any other solicitations directly from their custodian.

Financial Information

Financial Condition

TAAG has a strong financial condition that enables it to meet its contractual commitments to clients.

TAAG does not serve as a custodian for client funds or securities, and does not require prepayment of fees.