

**Firm Brochure**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of McNamara Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at: 781-834-2010, or by email at: [alyssa@mcnamarafinancial.com](mailto:alyssa@mcnamarafinancial.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 McNamara Financial Services is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**February, 2012**

ADV Part 2A <b>McNamara Financial Services, Inc.</b>	CRD No.:  <b>154311</b>	SEC File Number:  <b>801- 71682</b>	Date:  <b>2/2012</b>
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## Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually and from time to time when material changes occur since the previous release of the Firm Brochure.

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### Material Changes since the Last Update

This Brochure is an amendment to the Brochure dated as of May 1, 2011.

This Brochure, as amended, contains the following revisions:

- Within the Fees and Compensation section, under the heading Other Fees, additional disclosures have been added to clarify that McNamara Financial Services, Inc. does not provide custodial services and may recommend that clients establish accounts with a third party provider, TD Ameritrade Institutional for custodial services.
- Within the Fees and Compensation section, under the heading Other Fees, additional disclosures have been inserted to reflect that clients shall be responsible for any and all brokerage commissions, ticket, transaction and/or other like charges, as may be applicable.
- Within the Other Compensation section, additional disclosures have been added relating to McNamara Financial Services participation in TD Ameritrade Institutional Coaching Program, under which McNamara Financial Services, Inc. may receive coaching services referrals from TD Ameritrade through its participation.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 781-834-2010 or by email at: [Alyssa@mcnamarafinancial.com](mailto:Alyssa@mcnamarafinancial.com).

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## **Advisory Business**

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### **Firm**

#### **Description**

McNamara Financial Services, Inc. ("McNamara Financial Services" or the "Firm") was founded in 1987.

The Firm is able to provide investment management services for individuals, trusts, endowments, retirement plans and other legal entities. In general, the Firm seeks to provide maximum risk adjusted returns over long term time horizons consistent with clients' investment objectives that take into account the clients' desired risk levels, time frame, and investment constraints.

Investment advice is provided, with the client making the final decision on investment strategy. The Firm does not act as a custodian of client assets. The client always maintains control of his or her assets. The Firm places buy, sell and re-balancing trades for clients under a limited power of attorney through authorized investment discretion. Also, under the investment advisory agreement, clients authorize the Firm to have investment discretion on behalf of clients to hire and fire money managers.

A written description of each client's investment strategy may be provided to the client, often in the form of an investment policy statement. An annual review of portfolio strategy is conducted. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. The Firm may recommend such professionals to the client if requested to do so. The Firm is under no obligation to follow-up on such recommendations. Neither McNamara Financial Services, Inc., nor its employees provide legal or tax advice. Clients are encouraged to consult legal and tax professionals of their choosing regarding their particular situations. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

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### **Principal Owners**

The McNamara Trust owns 80% of the Firm. Alyssa McNamara Reed, Partner, Chief Compliance Officer and Planning and Insurance Specialist, owns 10% of the Firm. Justin McNamara, Partner and Director of Investments, owns 10% of the Firm.

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### **Types of Advisory Services**

McNamara Financial Services provides investment supervisory services, also known as investment management services; and furnishes investment advice through consultations. On more than an occasional basis, the Firm

furnishes advice to clients on matters not involving securities, such as financial planning matters and taxation issues that relate to investment strategies, although members of the Firm are not tax professionals.

As of December 31, 2010, McNamara Financial Services manages approximately \$236,691,775 in assets for approximately 650 clients comprising approximately 2,000 accounts. All of these assets are managed on a discretionary basis.

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### **Tailored Relationships**

McNamara Financial Services has developed six basic Strategic Asset Allocation Investment Strategies for clients that are specified percentages of various categories of stock, bond and cash investments. These Asset Allocation Strategies run from Most Conservative (100% bonds and cash) to Aggressive (100% stocks) in approximately 20% increments: 100% bonds and cash; 20% stocks / 80% bonds and cash; 40% stocks / 60% bonds and cash; 60% stocks / 40% bonds and cash; 80% stocks / 20% bonds and cash and 100% stocks.

McNamara Financial Services also employs Strategic Asset Allocation with a Tactical Asset Allocation component. McNamara Financial Services may, in its discretion, select, retain and/or replace third party portfolio strategists, sub-adviser and/or others in preparing these strategies. Such strategies generally have target Strategic Allocation Strategies similar in percentages to the strategies developed by McNamara Financial Services. However they can and will be adjusted over time via the tactical allocations decisions that may be made from time to time by the applicable third party provider and as implemented by McNamara Financial Services. In its ongoing oversight of the Program, we shall review the performance of any and each third party portfolio strategist(s), sub-adviser(s) and/or others pursuant to current industry standards for investment management and performance.

Clients of McNamara Financial Services are matched to one or more of the above strategies that are determined to be appropriate for their investment goals and objectives. It is likely that investment accounts less than \$25,000 in size will be placed in an "Asset Allocation Mutual Fund" that matches client objectives and risk tolerance. Accounts of this size are better managed within a larger pool of assets.

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### **Types of Agreements**

The following agreements define the typical client relationships.

Agreements may not be assigned without client consent. Transactions which do not result in an actual change in control or management are not considered an assignment, unless otherwise provided under applicable law.

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## **Investment Management Agreement**

Most clients choose to have McNamara Financial Services manage their assets in order to obtain ongoing in-depth investment advice. As investment goals and objectives change over time, suggestions are made and implemented on an ongoing basis, as necessary.

The scope of work and fee for an Investment Management Agreement is provided to the client in writing prior to the start of the relationship.

The annual Investment Management Agreement fee ranges from 0.50% to 1.50% depending upon the market value of the assets under management and the type of investment management services to be rendered. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the Investment Management Agreement is an ongoing agreement, the length of service to the client is at the client's discretion. The client or the Firm may terminate an Agreement by 30 days' advance written notice to the other party. At termination, fees will be reimbursed on a pro rata basis for the portion of the quarter completed if the Firm is notified in advance of the termination or liquidation. In any partial calendar quarter, the management fee will be pro-rated based on the number of days that the Account was open during the quarter.

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## **Financial Planning Agreement**

A financial plan is designed to help the client with applicable aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; and education planning with funding recommendations. Neither McNamara Financial Services, Inc., nor its employees provide legal or tax advice. Clients are encouraged to consult and review a financial plan with legal and tax professionals of their choosing.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

Fees are charged on a fixed fee basis and can range from \$500 to \$2,500 for an initial plan and up to \$250 to \$1,000 for an update. The exact fees charged for these services will be specified in a client agreement executed before service begins.

If the client engages McNamara Financial Services for investment advisory services, the Firm may waive all or a portion of the amount of the customary fees



paid for financial planning services.

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### **Investment Management**

Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies. If a commission based mutual fund is recommended it will be purchased for the client's account load waived (without commission). Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Mutual Funds and Exchange Traded Funds (ETFs) are the primary recommended investment vehicles at McNamara Financial Services. On rare occasions, as circumstances may warrant, investment recommendations may include individual securities (stocks and bonds), municipal securities, variable annuities, and U. S. government securities for client accounts.

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Initial public offerings (IPOs) are not available through McNamara Financial Services.

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### **Termination of Agreement**

A client may terminate any of the aforementioned agreements at any time by notifying the Firm in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, the Firm will refund any unearned portion of the advance payment. If termination occurs within five (5) business days of entering into an agreement for services, the client is entitled to a full refund.

The Firm may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, the Firm will refund any unearned portion of the advance payment.

Upon notice of termination, the Firm will await further instructions from the client as to what steps client requests to liquidate and / or transfer the portfolio and remit the proceeds. The Firm will not perform any management activities in any of the clients' accounts upon notice of termination other than those required to meet its fiduciary obligations. Upon instructions received, the Firm will instruct the client's broker-dealer, mutual fund sponsors and others to liquidate and / or transfer all or a portion of the portfolio and either send a check to the client or transfer proceeds to a client's bank account. If the client wishes to transfer securities in an investment account(s), that transfer process must be initiated by the client or the client's new financial adviser.

The Firm can make no representation regarding puts, holds, or other investment features that may limit a client's ability to liquidate or transfer all or a portion of the portfolio. In these cases, the Firm will consider their agreement

terminated as per the language in the agreement and stated here. For information on features that may limit or impair the ability to sell or transfer an asset, the client is advised to review the prospectus or offering document.

## **Fees and Compensation**

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### **Description**

McNamara Financial Services bases its fees on a percentage of assets under management and/or hourly charges and/or fixed fees depending upon the client's financial situation and as may be agreed by the client in writing. Lower fees for comparable services may be available from other sources.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are negotiable and may be waived in the sole discretion of the Firm. The Firm may manage our employees; and/or family accounts for a reduced fee or free of charge.

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### **Fee Billing**

Investment management fees are billed quarterly, in advance, meaning that we invoice you before the three-month billing period has begun. The fee will be a percentage of the average daily value of all assets (excluding any client held money market "cash" positions, where applicable) in the accounts for the quarter effective immediately preceding the fee being debited. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans and plan updates are billed 100% in advance.

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### **Other Fees**

The Firm does not provide custody services or take custody of a client's assets. The Firm recommends that clients establish accounts with TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), a FINRA-registered broker-dealer, member FINRA/SIPC/NFA, to maintain custody of clients' assets and to effect trades for their accounts. Although the Firm may recommend that clients establish accounts at TD Ameritrade, it is the client's decision to custody assets with TD Ameritrade. McNamara Financial Services is independently owned and operated and not affiliated with TD Ameritrade.

Client will be responsible for paying transaction fees and all other fees or charges of the Custodian. Client shall be responsible for paying brokerage commissions, ticket, transaction and/or other like charges, as may be applicable. Client should investigate fully with client's broker-dealer or custodian (TD Ameritrade or other client-designated broker-dealer or custodian) the conditions under which custodian fees, ticket, transaction and/or commission charges are

imposed and in what amounts. Not all securities have transaction charges associated with them.

In addition, any mutual fund shares held in your account may be subject to 12b-1 fees, short-term redemption fees, and other mutual fund annual expenses. The fees and expenses are fully described in the fund's prospectus. All fees paid to the Firm for our services are separate and distinct from the fees and expenses charged by mutual funds and/or Exchange Traded Funds (ETFs). Mutual funds pay advisory fees to their managers and such fees are therefore indirectly charged to all holders of the mutual fund shares. ETFs have internal costs as well that are paid by the client. If you have mutual funds or ETFs in your portfolio, you are effectively paying both the Firm and the mutual and/or ETF manager for the management of their assets.

The Firm in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Clients are advised that when securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge), outgoing transfer fees and / or tax ramifications. We encourage each client to review any and all recommendations made by the Firm with his or her legal, tax, financial and/or other advisors of their choosing.

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### **Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50% means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to McNamara Financial Services.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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### **Past Due Accounts and Termination of Agreement**

The Firm reserves the right to stop work on any account that is more than 30 days overdue. In addition, the Firm reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the Firm's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

## Performance-Based Fees

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### Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

The Firm does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client than may be appropriate for the client.

## Types of Clients

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### Description

McNamara Financial Services generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

### Account Minimums

The Firm does not impose a minimum portfolio size or minimum annual fee for clients or prospective clients.

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

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### Methods of Analysis

The Firm employs Modern Portfolio Theory to design an appropriate portfolio for each of its clients. Modern Portfolio Theory is a theory of investment which tries to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets.

The Firm does rely on third-party asset allocation sources for securities analysis methods and as sources of information for determining investment strategies. The Firm utilizes the EnCorr® asset allocation modeling software developed by Ibbotson Associates and Morningstar Inc. Additional sources of information include financial newspapers and magazines, research materials prepared by others, and corporate rating services.

### Investment Strategies

The primary investment strategy used on client accounts is strategic asset allocation. The Firm may employ Strategic Asset Allocation with a Tactical Asset Allocation component. McNamara Financial Services may, in its discretion, select, retain and/or replace third party portfolio strategists, sub-

adviser and/or others in preparing these strategies. Such strategies generally have target Strategic Allocation Strategies similar in percentages to the strategies developed by McNamara Financial Services. However they can and will be adjusted over time via the tactical allocations decisions that may be made from time to time by the applicable third party provider and as implemented by McNamara Financial Services. In its ongoing oversight of the Program, we shall review the performance of any and each third party portfolio strategist(s), sub-adviser(s) and/or others pursuant to current industry standards for investment management and performance.

A mix of actively managed mutual funds, passive mutual funds, indices and ETFs are used in each of the above strategies. These strategies shall be explained to prospective clients in detail at the appropriate time.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives, risk tolerance, and their desired investment strategy.

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**Risk of Loss**

All investment programs have certain risks that are borne by the investor, including but not limited the following risks:

- **Default Risk:** A company issuing a stock or bond may go out of business and thus default on its bond obligations and have the stock become worthless.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Interest-rate Risk:** Fluctuations in interest rates may cause bond investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- **Inflation Risk:** When any type of inflation is present, real purchasing power of money invested may be reduced by a rise in the general level of prices, as a result purchasing power may erode at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. As a result, they may carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

## **Disciplinary Information**

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### **Legal and Disciplinary**

McNamara Financial Services is required to disclose whether there are legal or disciplinary events that are material to a client's or a prospective client's evaluation of our advisory business or the integrity of our management. The Firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

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

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### **Financial Industry Activities**

McNamara Financial Services does not engage in any additional financial industry activities.

Certain of the Firm's Investment Advisory Representatives, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend the purchase of certain insurance products. A conflict of interest exists to the extent that the Firm

recommends the purchase of insurance products where its Investment Advisory Representative receives insurance commissions or other additional compensation.

The Firm has sponsored a weekly talk radio show on WATD (95.9 FM) in Marshfield, MA since 1990. The show currently airs on Saturday mornings. The Firm compensates WATD for the show. Generic financial planning and investment topics are discussed on the show. The owners of the Firm host the show and are usually accompanied by a co-host in the areas of real estate, accounting and taxes, estate planning, mortgages or employee benefits. These co- hosts may compensate the Firm for their participation.

In addition, the Firm may develop and present seminars and related presentations dealing with the intersection of financial planning and certain tax issues, with other professionals, such as attorneys and tax professionals, from time to time. Further, from time to time, some of these professionals may have subleasing arrangements with McNamara Financial Services for office space within the same building as McNamara Financial Services' offices. Such professionals are independent of and unaffiliated with McNamara Financial Service, Inc. While such professionals may from time to time refer clients to McNamara Financial Services, Inc., McNamara Financial Services provides no compensation for any such referrals. Neither McNamara Financial Services, Inc., nor its employees provide legal or tax advice.

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

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### **Code of Ethics**

The employees of McNamara Financial Services have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The Firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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### **Participation or Interest in Client Transactions**

McNamara Financial Services and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Firm's *Compliance Manual*.

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### **Personal Trading**

The Chief Compliance Officer of the Firm is Alyssa McNamara Reed. She reviews all reportable employee trades each quarter. Her reportable trades are reviewed by Michael McNamara. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that

clients of the Firm receive preferential treatment. Reportable transactions do not include purchases or sales of shares of money market funds, open end mutual funds, government securities, and certificates of deposit, and transactions in an account for which the reporting person has no direct influence or control. Since most, if not all employee trades are mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

The Firm does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. The Firm recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

The Firm generally recommends that clients utilize the brokerage and clearing services of TD Ameritrade for investment management accounts. The Firm participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., member FINRA/SIPC/NFA.

TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services that include custody of securities, trade execution, clearance and settlement of transactions. The Firm receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under **Other Compensation** below.)

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### **Best Execution**

McNamara Financial Services reviews the execution of trades at the custodian on a periodic basis sufficient to meet its best execution obligations.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while the Firm will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.



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**Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

Transactions for each client generally will be effected independently, unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. The Firm may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among the Firm’s clients pro rata to the purchase and sale orders placed for each client on any given day. The Firm will not receive any additional compensation as a result of the aggregation of orders.

## **Review of Accounts**

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**Periodic Reviews**

For those clients to whom the Firm provides investment management services, the Firm monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least an annual basis. For those clients to whom the Firm provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of the Firm’s Investment Adviser Representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Firm and to keep the Firm informed of any changes thereto. The Firm shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

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**Review Triggers**

Examples of other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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**Regular Reports**

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the custodian for the client accounts. Those clients to whom the Firm provides investment advisory services will also receive a report from the Firm that may include such relevant account information such as an inventory of

account holdings and account performance on a quarterly basis. Those clients to whom the Firm provides financial planning and/or consulting services will receive reports from the Firm summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by the Firm. The client is urged to compare the information included in any statements sent by the Firm against those sent by the qualified custodian.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

If a client is introduced to the Firm by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee. Any such referral fee shall be paid solely from the Firm's investment management fee, and shall not result in any additional charge to the client.

The Firm may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, the Firm may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with the Firm and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors.

TD Ameritrade does not supervise the Firm and has no responsibility for the Firm's management of client portfolios or the Firm's other advice or services. The Firm pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to the Firm ("Solicitation Fee"). The Firm will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by the Firm from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. The Firm will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form. The Firm's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals

from TD Ameritrade, the Firm may have an incentive to recommend to clients that the assets under management by the Firm be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, the Firm has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. The Firm's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

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## Referrals Out

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

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## Other Compensation

As disclosed above, the Firm participates in TD Ameritrade's institutional customer program and the Firm may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between the Firm's participation in the program and the investment advice it gives to its clients, although the Firm receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Firm participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by the Firm's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit the Firm but may not benefit its client accounts. These products or services may assist the Firm in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help the Firm manage and further develop its business enterprise. The benefits received by the Firm or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, the Firm endeavors at all times to put the interests of its clients first. **Clients should be aware, however, that the receipt of economic benefits by the Firm or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Firm's choice of TD Ameritrade for custody and brokerage services.**

The Firm also receives from TD Ameritrade certain additional economic benefits (“Additional Services”) that may or may not be offered to any other independent investment Advisors participating in the program. Specifically, the Additional Services include Orion and Morningstar EnCorr. TD Ameritrade provides the Additional Services to the Firm in its sole discretion and at its own expense, and the Firm does not pay any fees to TD Ameritrade for the Additional Services. Advisor and TD Ameritrade have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional Services.

The Firm’s receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to the Firm, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, the Firm’s client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with the Firm, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, the Firm may have an incentive to recommend to its clients that the assets under management by the Firm be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. The Firm’s receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

McNamara Financial Services may also receive coaching services referrals from TD Ameritrade through its participation in TD Ameritrade Institutional Coaching Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Coaching Program, McNamara Financial Services may have been selected to participate in the TD Ameritrade Institutional Coaching Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with McNamara Financial Services and there is no employee or agency relationship between TD Ameritrade and McNamara Financial Services. TD Ameritrade has established the TD Ameritrade Institutional Coaching Program as a means of assisting independent unaffiliated advisers to grow and maintain their respective investment adviser business. TD Ameritrade does not supervise McNamara Financial Services and has no responsibility for McNamara Financial Service’s management of client portfolios or McNamara Financial Service’s other advice or services.

McNamara Financial Service’s participation in the TD Ameritrade Institutional Coaching Program raises potential conflicts. McNamara Financial Services will encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Coaching Program, McNamara Financial Services may have an incentive to recommend to its clients that the

assets under management by McNamara Financial Services be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. McNamara Financial Service's participation in the TD Ameritrade Institutional Coaching Program does not diminish its duty to seek best execution of trades for client accounts.

## **Custody**

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### **Account Statements**

Assets are held at TD Ameritrade, a qualified custodian, which means the custodian provide account statements directly to clients at their address of record at least quarterly. The Firm may use other custodians on an infrequent basis such as American Funds for 529 plans and Vanguard for variable annuities.

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### **Position Reports**

Clients are urged to compare the account statements received directly from their custodians to any client statements provided by the Firm.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

Within the Investment Management Agreement, clients grant McNamara Financial Services the authority to manage the assets in their accounts on a fully discretionary basis. The grant of discretionary authority to the Firm includes, but is not limited to the authority:

- to take any and all actions on the Client's behalf that the Firm determines to be customary or appropriate for a discretionary investment adviser to perform, including the authority to buy, sell, select, remove and replace securities and investments, including ETF and/or mutual fund shares and including those advised by the Firm or an affiliate, and other investments, for the account, and to determine the portion of assets in the account to be allocated to each investment or asset class and to change such allocations;
- to select, hire, fire or replace money managers or others with which transactions for the account will be effected;
- to retain and replace, or not, any person providing investment advice, securities recommendations, model portfolios or other services to the Firm, including without limitation, third party portfolio strategists giving advice with regard to any investment strategies, as deemed appropriate by the Firm, from time to time; and

- with regard to Investment Management Agreement, to retain and replace any investment adviser representative providing services on behalf of the Firm, as deemed appropriate by the Firm.

## Voting Client Securities

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### Proxy Votes

McNamara Financial Services will vote proxies on securities on behalf of clients. The Firm has adopted a general policy to vote proxy proposals, amendments, consents, and resolutions relating to investments held in client accounts in a manner that serves the best interests of the client and the value of their investments. A copy of our Proxy Voting Policies and Procedures is available upon request.

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### Class Actions

The Firm does not advise or act for clients in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the Account or the issuers of these securities

## Financial Information

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### Financial Condition

The Firm does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

## Business Continuity Plan

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### General

The Firm has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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### Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

# Information Security Program

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## Information Security

The Firm maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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## Privacy Notice

The Firm is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys and accountants with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.