

# Garrett Investment Advisors, LLC

An SEC Registered Investment Advisor

Garrett Investment Advisors, LLC

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## Form ADV Part 2A

January 1, 2012

[Financial Planning]

This brochure provides information about the qualifications and business practices of Garrett Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact Mary Harris-King, Chief Compliance Officer at (910) 333-6659.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about Garrett Investment Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

While the firm and its associates may be registered with the SEC and other jurisdictions, that registration does not imply an endorsement by any regulatory authority, nor imply a certain level of skill or training on the part of the firm or its associated personnel.

## **Item 2 - Material Changes**

This brochure is an amended version of the firm's original filing of November 14, 2011. The firm has created separate disclosure documents that have been customized for ease of use for those clients who are interested in only the firm's financial planning and investment consultation engagements.

For future filings this section of the brochure may address only those material changes that have occurred since the firm's last annual update. The firm may at any time update this document and either send a copy of its updated brochure or provide a summary of material changes to its brochure and an offer to send an electronic or hard copy form of the updated brochure. Clients are also able to download this brochure from the SEC's Website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or may contact our firm at (910) FEE-ONLY [333-6659] to request a copy at any time.

As with all firm documents, clients and prospective clients are encouraged to review this brochure in its entirety and are encouraged to ask questions at any time prior to or throughout the engagement.

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**Important Information**

Throughout this document, Garrett Investment Advisors, LLC shall be referred to by the following terms: the "firm," "we," "us," or "our." The client or prospective client may be referred to as: "you," "your," etc.

Associates operating in offices located throughout the country are authorized to utilize other business names in conjunction with their offering investment advisory services through our firm. Please refer to the current listing accompanying this brochure.

This brochure contains 25 pages and should not be considered complete without all pages.

## **Item 4 - Advisory Business**

### **Information about Our Firm**

Garrett Investment Advisors, LLC is a Delaware Limited Liability Company formed in 2011. Our firm is not a subsidiary of, nor do we control, another entity. In addition to our 2011 registration as an SEC investment advisor, our firm and its associates may notice-file, register or meet certain exemptions to registration in other jurisdictions in which we conduct investment advisory business. Ms. Sheryl Garrett and Mr. Justin Nichols are the firm's managing members and shareholders. Ms. Mary Harris-King is the firm's Chief Compliance Officer (supervisor).

Our firm provides a broad range of investment advisory and ancillary services to people from all walks of life. Our primary focus is providing financial planning services, which includes such areas as cash flow and budgeting, education funding, retirement planning, risk management and estate planning. We offer investment advice through periodic consultations (which we term *investment consultation*) or portfolio monitoring services, neither of which include ongoing management of an investment account. We also provide ongoing and continuous supervision of clients' portfolios through our investment supervisory services offering, as well as investment management services through the engagement of institutional third-party investment managers which are described in further detail in a separate advisory services brochure. Some of our associates also provide tax preparation services when appropriate.

We hold ourselves to a *fiduciary standard*, which means our firm and its associates will act in the utmost good faith and perform in a manner believed to be in the best interest of our clients. As fiduciaries, we are obligated to put *you – our client – first*. We feel this sets us apart from other types of firms in the securities industry such as broker/dealers that may be held to a, perhaps lesser, "suitability" standard. Such firms may not be required under current regulation to place clients' interests ahead of their own or to fully disclose conflicts of interest involving their recommendations to clients.

### **Getting Started**

To begin, a complimentary interview may be conducted by a qualified representative of our firm to determine the scope of services to be provided. During or prior to your first meeting, we will provide you with our current ADV Part 2A brochure that incorporates our Privacy Policy, and you will receive an ADV Part 2B - Brochure Supplement (Advisory Personnel) from your investment advisor representative who is assisting you. The firm will also ensure any material conflicts of interest are disclosed regarding our firm and its associates that could be reasonably expected to impair the rendering of unbiased and objective advice.

Should you wish to engage our firm, we must first enter into a written agreement; thereafter, discussion and analysis will be conducted to determine your financial needs, goals, holdings, etc. Depending on the scope of the engagement, we may require current copies of the following documents early in the process:

- Wills, codicils and trusts;
- Insurance policies;
- Mortgage information;
- Tax returns;
- Current financial specifics including W2s or 1099s;
- Information on current retirement plans and benefits provided by your employer;

- Statements reflecting current investments in retirement and non-retirement accounts; and
- Completed risk profile questionnaires or other forms provided by our firm.

It is important that the information and financial statements you provide is accurate. We may, but are not obligated to, verify the information you have provided, which will then be used in the financial planning or investment advisory process.

### ***Overview of Our Engagements***

#### ***Financial Planning Services***

Under our Financial Planning engagements we provide advice to you on such subjects as cash flow analysis, retirement capital needs, education funding, risk management, estate planning, or other specific needs as you may request. The following are general examples, and which may change based on your situation and needs.

*Cash Flow Analysis* – A review of your income and expenses to determine the current surplus or deficit along with advice on prioritizing how any surplus should be used or how to reduce expenses if they exceed your income. Advice may be provided on which debts to pay off first based on factors such as the interest rate of the debt and any income tax ramifications. Advice is also provided on the appropriate cash reserve that should be considered for emergencies and other financial goals, a review of accounts (such as money market funds) for such reserves, plus strategies to save the desired amounts.

*Education Funding* – Our education funding review may include projecting the amount that will be needed to achieve college or other post-secondary education funding goals, along with advice on ways for you to save the desired amount. Advice might also include the “pros-and-cons” of various college savings vehicles, such as Section 529 college savings plans and any advantages to you (i.e., reduction of income taxes) of using a particular state’s Section 529 plan or prepaid savings plan or another plan, such as a Coverdell Education Savings Account.

*Risk Management Analysis* – Our services include an analysis of your exposure to major risks that could have a significant adverse impact on your financial picture, such as premature death, disability or the need for long-term care. Advice is provided on ways to minimize such risks and about weighing the costs and benefits and, likewise, the potential costs of not purchasing insurance (self-insuring). We may consult with your insurance agent, other insurance agents or brokers and/or other insurance experts to assist you in making prudent risk management decisions and to help you select any appropriate insurance policies if needed.

*Estate Planning* – This may include an analysis of your exposure to estate taxes or a review of your current estate plan, including wills, powers of attorney, trusts and other related documents. Our advice typically includes ways for your financial assets and personal items to transfer smoothly and as you desire, as well as methods to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts.

We always recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We may provide you with contact information for attorneys who specialize in estate planning if you wish to hire an attorney for such purposes. From time to time, we will participate in meetings or phone calls between you and your attorney with your approval or request.

### ***Investment Consultation***

Our investment consultation engagements involve providing information on the types of investment vehicles available, employee stock options, investment analysis, asset selection, or assisting you in establishing your own investment account at the broker/dealer or custodian of your choosing.

We may offer projections of the likelihood of achieving your financial goals, with financial independence usually the primary goal. For situations in which projections show less than the desired results, we may make recommendations that include showing you the impact on those projections by making changes in certain variables (i.e., working longer, saving more, spending less, taking more risk with investments to potentially get a better return). If you are near retirement or already retired, advice may be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to significantly reduce spending during your retirement years.

### ***Real-Time Planning Sessions***

Our real-time planning sessions are limited-scope engagements designed to assist you in determining how best to invest your time with one of our financial planning professionals. These sessions are typically 90 to 120 minutes in length and generally focus on more pressing issues you may have. Therefore, all issues, urgent or not, may not be addressed in this brief time frame. All work may either be performed in your presence or, possibly, approximately 30 minutes may be assigned for follow up.

A summary report is provided at the conclusion of the meeting or shortly following the session to address key points that had been discussed during the planning session. You may also choose to re-engage your financial planner for additional real-time planning sessions at a later date.

### ***Educational Workshops***

We provide educational workshops on an “as announced” basis for groups desiring general advice on investments and personal finance. Topics may include issues related to financial planning, educational and estate planning, retirement strategies, or various other economic and investment topics. Our workshops are educational in nature and do not involve the sale of insurance or investment products. Information presented will not be based on any one person’s need nor do we provide individualized investment advice to attendees during our general sessions.

### ***Tax Return Preparation***

We may provide tax return preparation services through select locations, performed by qualified associates under the guidance of industry professionals. Coordinating income tax return preparation with financial planning may provide you with a thorough, coordinated understanding of your finances.

Under each type of engagement we will provide you with written recommendations and deliverables as specified in your agreement. Our services and subsequent recommendations may either be broad-based or more narrowly focused, as you desire. Note that when these services focus only on certain areas of your interest or need, your overall financial situation or needs may not be fully addressed due to the limitations you have established.

In all instances you will retain full discretion over all implementation decisions and are free to accept or decline any recommendation we make. Further, it remains your responsibility to promptly notify us if there is any change in your financial situation or investment objectives for the purpose of our reviewing, evaluating, or revising previous recommendations and/or services.

Upon completion of our presentation or delivery of advice, our engagements are typically concluded unless your agreement calls for continued services and support (i.e., a retainer engagement, etc.). If your agreement is for a single engagement, you are encouraged to contact our firm at any time in the future to re-engage our services and, we may also contact you to determine if you are in need of a review. Further information about our review process may be found in Item 13 of this brochure.

### **Implementation**

You may also engage our firm under a separate agreement to implement investment strategies that we have recommended to you. Depending on your risk profile, needs, among other considerations, your portfolio may involve the employment of one or more investment strategies, and as well as either a broad range or more narrowly focused choice of investment vehicles, each of which is described in further detail in Item 8 of this brochure.

### **General Information**

We do not provide legal or accounting services. With your consent, we may work with your other professional advisors to assist with coordination and implementation of recommended strategies. You should be aware that these other advisors will bill you separately for their services and these fees will be in addition to those of our firm.

Our firm will use its best judgment and good faith effort in rendering its services; however, our firm and its associates cannot warrant or guarantee any particular level of account performance, that your account will be profitable over time, or that your financial planning goals will be met. Past performance is not necessarily indicative of future results.

Except as may otherwise be provided by law, our firm will not be liable to the client, heirs, or assignees for any loss that an account may suffer by reason of an investment decision made or other action taken or omitted in good faith by our firm with the degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; any loss arising from our adherence to your direction or that of your legal agent; or any act or failure to act by a service provider maintaining an account.

Notwithstanding the preceding, nothing within our client agreement is intended to diminish in any way our fiduciary obligation to act in your best interest, or in any way limit or waive your rights under federal or state securities laws or the rules promulgated pursuant to those laws.



**Wrap Fee Programs** – We do not sponsor or serve as a portfolio manager in any investment program involving wrap fees.

**Assets Under Management** – As a new firm, we currently do not have client assets under management.

## **Item 5 - Fees and Compensation**

### **Types of Fee Arrangements**

#### ***Hourly***

We may be engaged for our financial planning, investment consultation and tax preparation services under an hourly fee arrangement. The hourly rate will be billed in six-minute increments (1/10<sup>th</sup> of an hour) and based on the associate with whom you are working, their experience level, and the scope and complexity of your engagement. The rates in the following table apply.

<b>Hourly Rate</b>	<b>Type Provider</b>
\$120 - \$360	Financial Planner
\$60 - \$120	Paraplanner
\$20 - \$60	Administrative Support

#### ***Fixed Fee (Project/Event)***

We also offer our financial planning, investment consultation, real-time planning and tax preparation services on a fixed-fee basis, typically ranging from \$300 to \$6,000 annually. Project fees take into consideration factors such as the estimated amount of time dedicated to the engagement as well as the complexity of your project and your financial profile. Note that not all billable hours may be specifically tracked for fixed fee engagements.

We may also assess a fixed fee for our educational workshops, that are payable by the individual attendee or the workshop sponsor, such as an association or employer. The fee ranges from \$25 to \$200 per workshop per attendee and will depend on the length of the event, its location and whether there are additional speakers. The fee is announced and generally due in advance of the presentation.

#### ***Fixed Fee (Retainer)***

Clients who prefer an extended commitment for their financial planning and investment consultation services may prefer to engage the firm on a retainer fee basis. This fee may be paid in monthly or quarterly installments, in advance, and the rate takes into consideration factors such as the complexity and amount of time dedicated to the engagement, the associate with whom you are working and their experience level, other support services required (i.e., paraplanners and administrative staff), etc. The fee ranges from \$1,200 to \$20,000 per year.

For all noted forms of advisory engagements with our firm, the services to be provided to you and their specific fees will be detailed in your engagement agreement. Our published fees may be negotiable, however, any fee outside of the stated range is subject to approval by our Chief Compliance Officer or an executive of the firm. We strive to offer fees that are fair and reasonable in light of the experience of the selected investment advisor representative and the services to be rendered.

### **Payment of Fees**

#### ***Hourly and Fixed Fees***

Fees may be paid by check, bank draft, ACH or single transaction debit card or credit card authorization through a qualified service provider. We do not accept cash, money orders, or similar forms of payment for our engagements. If you maintain an account at one of our primary custodians, you may authorize the custodian in writing to have these fees withdrawn from your account.

Fees are generally due upon your receipt of our invoice. Non-continuous service engagements that are greater than three months in duration may be billed monthly or quarterly, in arrears.

#### **Additional Client Fees**

Any transactional or custodial fees assessed by your selected service providers, individual retirement account fees or qualified retirement plan account termination fees will be borne by you and are as provided in the current, separate fee schedule of the selected service provider.

Fees paid to our firm by our clients for our advisory services are separate from any transactional charges you may pay, as well as those for mutual funds, exchange-traded funds (ETFs), exchange-traded notes (ETNs), or other investments of this type.

Further information about our fees in relationship to our business practices are noted in Item 12 of this document.

#### **External Compensation For the Sale of Securities to Clients**

Our firm and its associates are engaged for fee-only services, and we attempt to recommend “no load” investments whenever appropriate. We do not charge or receive a commission or mark-up on your securities transactions, nor will the firm and our associates be paid a commission on your purchase of an insurance contract or securities investment that we recommend.

We do not receive “trailer” or SEC Rule 12b-1 fees from an investment company offering that we may recommend. Fees charged by issuers are detailed in prospectuses or product descriptions and you are encouraged to read these documents before investing. Our firm and its associates receive none of these described or similar fees or charges.

You will always have the option to purchase recommended investments through your own selected service provider.

#### **Prepayment of Fees**

We may require an initial deposit for hourly and fixed fee project engagements in the amount of \$500 or one-half of the lower end of the estimated fee range, whichever is less, and this deposit will be defined in your engagement agreement.

Real-time planning session fees are typically due when our service is provided or completed, usually at the end of the real-time planning session.

Workshop fees are to be paid in advance of the first session.

Retainer fee engagements are paid in monthly or quarterly installments, in advance, as determined by your agreement.

### **Termination of Services**

Either you or we may terminate the agreement at any time, in writing. Should you verbally notify our firm of the termination and, if in two business days following this notification we have not received your notice in writing, we will make a written notice of the termination in our records and send you our own termination notice as a substitute.

If our disclosure brochure was not delivered to you at least 48 hours prior to entering into the agreement with our firm, then you may terminate the engagement without penalty within five business days after entering into the agreement. Upon termination, you will be assessed fees on a prorated basis for services we have provided and/or work performed until the date of termination. In the case of most of our prepaid fees, we will promptly return the unearned amount upon receipt of written termination notice. Should an educational workshop attendee cancel within 48 hours of the first session, fees will not be refunded.

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

Our fees will not be based upon a share of capital gains or capital appreciation (growth) of any portion of managed funds, also known as “performance-based fees.” Performance-based compensation creates an incentive for a firm or their representatives to recommend an investment that may carry a higher degree of risk to a client. We do not use a performance-based fee structure because of the conflict of interest this type of fee structure poses.

Our fees will not be based on side-by-side management, which refers to a firm simultaneously managing accounts that do pay performance-based fees (such as a hedge fund) and those that do not; this type of arrangement, and the conflict of interest it may pose, does not conform to our firm’s practices.

### **Item 7 - Types of Clients**

We provide our services to individuals and their families from all walks of life, trusts and estates, pension and profit sharing plans, businesses of various scale, as well as foundations and charitable organizations to assist them in their meeting financial objectives in what we believe to be a cost-effective way.

Our ability to provide our services depends on access to important information. Accordingly, it is necessary that you provide us with an adequate level of information and supporting documentation throughout the term of the engagement, including but not limited to source of funds, income levels, your (or your legal agent’s) authority to act on behalf of the account, among other information. This helps us determine the appropriateness of our financial planning or investment strategy for you.

It is also very important that you keep us informed on significant changes that may call for an update to your financial and investment plans. Events such as job changes, retirement, a windfall, marriage or divorce, or the purchase or sale of a home or business can have a large impact on your circumstances and needs. We need to be aware of such events, so we can make the adjustments needed to your plan or advice in order to keep you on track toward your goals.

Our firm does not require minimum income levels, minimum level of assets or other conditions for its financial planning, investment consultation, or real-time planning services. We reserve the right to waive or reduce certain fees based on unique individual circumstances, special arrangements, or pre-existing relationships. We also reserve the right to decline services to any prospective client for any non-discriminatory reason.

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

### **Methods of Analysis and Investment Strategies**

#### ***Method of Analysis***

If our firm is engaged to provide investment advice, we will first gather and consider information regarding several factors, including your:

- current financial situation,
- current and long-term needs,
- investment goals and objectives,
- level of investment knowledge,
- tolerance and appetite for risk,
- social concerns involving your investments, and
- restrictions, if any, on the management of your portfolio.

We may employ what we believe to be an appropriate blend of fundamental, technical, and cyclical analyses. For example, fundamental analysis may involve evaluating economic factors including interest rates, the current state of the economy, or the future growth of an industry sector. Technical and cyclical analysis may involve studying the historical patterns and trends of securities, markets, or economies as a whole in an effort to determine potential future behaviors, the estimation of price movement, and an evaluation of a transaction before entry into the market in terms of risk and profit potential.

In addition to our own research, the firm's recommendations may also be drawn from research sources that include financial publications, investment analysis and reporting software, materials from outside sources, annual reports, prospectuses and other regulatory filings, and company press releases.

We make asset allocation and investment policy decisions based on these and other factors. We will discuss with you how, in our best judgment, to meet your objectives while at the same time seeking a prudent level of risk exposure.

#### ***Investment Strategies***

Generally, our investment advice is based on a globally diversified strategy involving a long-term, disciplined approach that manages risk through appropriate asset allocation. We recognize that each client's needs and goals are different; subsequently portfolio strategies and underlying investment vehicles may vary. The following are common strategies found within our client's portfolios, in alphabetical order.

*Active Asset Management* – A portfolio manager engaging in an active asset management strategy believes it is possible to create a profit from identifying or leveraging mispriced securities, or producing similar returns with less risk, or producing returns greater than a stated benchmark, such as a well-known index. For example, a “large cap stock” fund manager might attempt to outperform the Standard & Poor's 500 Index by purchasing underpriced stocks or derivative instruments representing these positions.

*Core + Satellite* – This strategy blends passive (or index) and active investing, where passive investments are used as the basis or “core” of a portfolio and actively-managed investments are added as “satellite” positions. With this strategy, the portfolio core holdings are indexed to potentially more efficient asset classes, while outlying selections are generally limited to active managers that are attempting to outperform a particular category, or a selection of particular positions to increase core diversification, or to improve portfolio performance.

For example, the core of a portfolio may be built with low-cost index funds or ETFs/ETNs; satellite holdings would include active investment managers with unique strategies that are believed capable of adding value beyond a stated benchmark over a full market cycle. The core may represent the majority of the total portfolio, using primarily index funds or index-based ETFs/ETNs. The remainder of the portfolio may then employ mutual funds or ETFs/ETNs that take a shorter duration to assist in the over-or-under allocation to specific sectors, regions, assets classes, etc.

*Modern Portfolio Theory* – This award winning theory is based on the belief that proper diversification and risk management will provide an investor client with a more stable and consistent return over time. The practice of Modern Portfolio Theory does not employ market timing or stock selection methods of investing but rather a long term buy-and-hold strategy with periodic rebalancing of the account to maintain desired risk levels.

We will strive to create portfolios that are diversified, tax-efficient, and utilize low-cost investments whenever practical. Although it is common to find a broad range of index mutual funds, ETFs and ETNs within a portfolio, certain accounts may necessitate holding actively-managed mutual funds, individual equity and fixed income holdings, certain listed real estate investment trusts (REITs), managed futures, among others, to create as broad a diversification as necessary to meet demands of the portfolio.

### **Potential Risks Involving Our Strategy and Method of Analysis**

#### ***Investment Strategy Risks***

We believe our strategies and investment recommendations are designed to produce the appropriate potential return for the given level of risk; however, we cannot guarantee that an investment objective or planning goal will be achieved. As an investor you must be able to bear the risk of loss that is associated with your account, which may include the loss of some or all of your principal.

In general, risks regarding markets include interest rates, company and management risk, among others. Examples include:

*Market Risk* – When the stock market as a whole or an industry as a whole falls, it can cause the prices of individual stocks to fall indiscriminately. This is also called systematic risk.

*Company Risk* – When investing in securities, there is always a certain level of company or industry-specific risk that is inherent in each company or issuer. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry.

*Management Risk* – An investment with a firm varies with the success and failure of its investment strategies, research, analysis and determination of its portfolio. If an investment strategy were not to produce expected returns, the value of the investment would decrease.

*Firm Research* – When the firm’s research and analyses are based on commercially available software, rating services, general market and financial information, or due diligence reviews, the firm is relying on the accuracy and validity of the information or capabilities provided by selected vendors, rating services, market data, and the issuers themselves. The firm makes every effort to determine the accuracy of the information received but it cannot predict the outcome of events or actions taken or not taken, or the validity of all information it has researched or provided, which may or may not affect the advice on or investment management of an account.

*Active Management Strategies* – A portfolio that employs active management strategies may, at times, outperform or underperform various benchmarks or other strategies. In an effort to meet or surpass these benchmarks, active portfolio management may require more frequent trading or “turnover.” This may result in shorter holding periods, higher transactional costs and/or taxable events generally borne by the client, thereby potentially reducing or negating certain benefits of active management.

*Core + Satellite Strategies* – Strategies involving Core + Satellite investing may have the potential to be affected by “active risk” or “tracking error risk,” which might be defined as a deviation from the stated benchmark. Since the core portfolio attempts to closely replicate a stated benchmark, the source of the tracking error or deviation may come from a satellite portfolio or position, or from a “sample” or “optimized” index fund or ETF/ETN that may not as closely align the stated benchmark. In these instances, the firm may choose to reduce the weighting of a satellite holding, utilize very active satellites, or use a “replicate index” position as part of its core holdings to minimize the effects of the tracking error in relation to the overall portfolio.

*Passive Markets Theory* – A portfolio that employs a passive, efficient markets approach (representative of Modern Portfolio Theory) has the potential risk that at times the broader allocation may generate lower-than-expected returns than those from a specific, more narrowly focused asset, and that the return on each type of asset is a deviation from the average return for the asset class. We believe this variance from the “expected return” is generally low under normal market conditions when a portfolio is made up of diverse, low or non-correlated assets.

*Socially Conscious Investing* – If you require your portfolio to be invested according to socially conscious principles, you should note that returns on investments of this type may be limited and because of this limitation you may not be able to be as well diversified among various asset classes.

The number of publicly traded companies that meet socially conscious investment parameters is also limited, and due to this limitation, there is a probability of similarity or overlap of holdings, especially among socially conscious mutual funds or ETFs/ETNs. Therefore, there could be a more pronounced positive or negative impact on a socially conscious portfolio, which could be more volatile than a fully diversified portfolio.

### ***Security-Specific Material Risks***

*Equity (Stock) Market Risk* – Common stocks are susceptible to general stock market fluctuations and to volatile increases or decreases in value as market confidence in and perceptions of the company who issued the stock. If an investor held common stock, or common stock equivalents, of any given company, they would generally be exposed to greater risk than if they held preferred stock and/or debt obligations of the company.

*ETF and Mutual Fund Risk* – ETFs/ETNs or mutual funds may carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. The risk of owning an ETF/ETN or mutual fund also generally reflects the risks of their underlying securities.

*Fixed Income Risks* – Various forms of fixed income instruments, such as bonds, money market funds, and certificates of deposit, may be affected by various forms of risk, including:

- *Interest Rate Risk* - The risk that the value of the fixed income holding will decrease because of an increase in interest rates.
- *Liquidity Risk* - The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed income are generally liquid (i.e., bonds), there are risks which may occur such as when an issue trading on any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk* - The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments, as well as funds or ETF/ETN share values that hold these issues. Bondholders are creditors of an issuer and have priority to assets before equity holders (i.e., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.
- *Reinvestment Risk* – With declining interest rates, investors may have to reinvest interest income or principal at a lower rate.
- *Duration Risk* - Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

*Index Investing* – ETFs/ETNs and indexed funds have the potential to be affected by “tracking error risk,” as earlier described in the passage involving Core + Satellite strategies. In these instances, we may choose to reduce the weighting of a holding or use a “replicate index” position as part of the core holding to minimize the effects of the tracking error in relation to the overall portfolio.

*QDI Ratios* – While many ETFs/ETNs and index mutual funds are known for their potential tax-efficiency and higher “qualified dividend income” (QDI) percentages, there are asset classes within these investment vehicles or holding periods within that may not benefit. Shorter holding periods, as well as commodities and currencies (that may be part of an ETF/ETN or mutual fund portfolio), may be considered “non-qualified” under certain tax code provisions. We consider a holding’s QDI when tax-efficiency is an important aspect of the client’s portfolio.

#### **Item 9 - Disciplinary Information**

Neither the firm nor any member of its management has been involved in a material criminal or civil action in a domestic, foreign or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding that would reflect poorly upon our firm’s advisory business or the integrity of our firm.

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

Our policies require our firm and its associates to conduct business activities in a manner that avoid or appropriately mitigate conflicts of interest between the firm, its associates, and our clients, or that may be contrary to law. We will provide disclosure to each client prior to and throughout the term of an engagement regarding any conflicts of interest that might reasonably compromise our impartiality or independence.

Neither our firm nor a member of its management is, or has a material relationship with any of the following types of entities:

- broker/dealer, municipal securities dealer, or government securities dealer or broker;
- futures commission merchant, commodity pool operator, or commodity trading advisor;
- banking or thrift institution;
- lawyer or law firm;\*
- insurance company or agency;\*
- pension consultant;
- real estate broker or dealer;
- sponsor or syndicator of limited partnerships; or
- investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund).

\*Upon your request and when appropriate to do so, we may provide referrals to various professionals other in your area, such as an accountant or attorney. We do not have an agreement with or receive fees from these professionals for these informal referrals. Any fees charged by these other entities for their services are completely separate from advisory fees charged by our advisory firm.



Some of our associates also serve as certified public accountants or business management coaches through their separately owned and operated firms. Clients of our advisory firm may have one or more business relationships with the investment advisor representative with whom they are engaged for services, however, each engagement will be under separate and distinct agreements and information will only be shared with the client's prior approval.

Due to depth of experience of our firm's financial planners, certain associates may provide outsourced financial plan development for unaffiliated investment advisors in need of their expertise. Our associates are not affiliated with these other investment firms or providing investment advice directly to their clients, however, we feel the outside relationship is important to note. Our firm's client information or situations are not shared with these other entities nor are there fee arrangements between firms.

Our firm and its associates are engaged for fee-only advisory services, as such neither the firm, its management or associates are registered or have an application pending to register as a Financial Industry Regulatory Authority (FINRA) or National Futures Association (NFA) introducing broker, or as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Under certain engagements, we may provide a recommendation to third-party investment managers (who are also required to be registered as investment advisors) to service all or part of a client's portfolio and both firms may inevitably be paid an advisory fee (i.e., an hourly advisory fee and an asset-based fee).

#### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

##### **Code of Ethics**

We have adopted a Code of Ethics that establishes policies for ethical conduct for all our personnel. Our firm accepts the obligation not only to comply with all applicable laws and regulations but also to act in an ethical and professionally responsible manner in all professional services and activities. Our policies include prohibitions against insider trading, circulation of industry rumors, and certain political contributions, among others.

Associates of our firm agree to adhere to the Certified Financial Planner Board of Standards, Inc.'s Code of Ethics. These principles include:

##### **Principle 1 – Integrity**

An advisor will provide professional services with integrity. Integrity demands honesty and candor which must not be subordinated to personal gain and advantage.

Advisors are placed by clients in positions of trust by clients, and the ultimate source of that trust is the advisor's personal integrity. Allowance can be made for innocent error and legitimate differences of opinion; but integrity cannot co-exist with deceit or subordination of one's principles.

### Principle 2 – Objectivity

An advisor will provide professional services objectively. Objectivity requires intellectual honesty and impartiality. Regardless of the particular service rendered or the capacity in which an advisor functions, an advisor should protect the integrity of their work, maintain objectivity and avoid subordination of their judgment.

### Principle 3 – Competence

Advisors will maintain the necessary knowledge and skill to provide professional services competently.

Competence means attaining and maintaining an adequate level of knowledge and skill, and applies that knowledge effectively in providing services to clients. Competence also includes the wisdom to recognize the limitations of that knowledge and when consultation with other professionals is appropriate or referral to other professionals necessary. Advisors make a continuing commitment to learning and professional improvement.

### Principle 4 – Fairness

Advisors will be fair and reasonable in all professional relationships. Fairness requires impartiality, intellectual honesty and disclosure of material conflict(s) of interest. It involves a subordination of one's own feelings, prejudices and desires so as to achieve a proper balance of conflicting interests.

Fairness is treating others in the same fashion that you would want to be treated and is an essential trait of any professional.

### Principle 5 – Confidentiality

Advisors will protect the confidentiality of all client information. Confidentiality means ensuring that information is accessible only to those authorized to have access. A relationship of trust and confidence with the client can only be built upon the understanding that the client's information will remain confidential.

### Principle 6 – Professionalism

Advisors will act in a manner that demonstrates exemplary professional conduct.

Professionalism requires behaving with dignity and courtesy to all who use their services, fellow professionals, and those in related professions. Advisors cooperate with fellow advisors to enhance and maintain the profession's public image and improve the quality of services.

### Principle 7 – Diligence

Advisors will provide professional services diligently. Diligence is the provision of services in a reasonably prompt and thorough manner, including the proper planning for, and supervision of, the rendering of professional services.

Associates who are members of the National Association of Personal Financial Planners (NAPFA) or the Garrett Planning Network adhere to the NAPFA *Fiduciary Oath* that states that:

*"The advisor shall exercise his/her best efforts to act in good faith and in the best interests of the client.*

*The advisor shall provide written disclosure to the client prior to the engagement of the advisor, and thereafter throughout the term of the engagement, of any conflicts of interest, which will or reasonably may compromise the impartiality or independence of the advisor.*

*The advisor, or any party in which the advisor has a financial interest, does not receive any compensation or other remuneration that is contingent on any client's purchase or sale of a financial product.*

*The advisor does not receive a fee or other compensation from another party based on the referral of a client or the client's business.*

***Following the NAPFA Fiduciary Oath means I shall:***

- \* Always act in good faith and with candor.*
- \* Be proactive in disclosing any conflicts of interest that may impact a client.*
- \* Not accept any referral fees or compensation contingent upon the purchase or sale of a financial product."*

We periodically review and amend our Code of Ethics to ensure that it remains current, and we require all firm access persons to attest to their understanding of and adherence to the Code of Ethics at least annually.

Our firm will provide a copy of its Code of Ethics to any client or prospective client upon request.

**Privacy Policy Statement**

We respect the privacy of all our clients and prospective clients, both past and present. We recognize that you have entrusted us with non-public personal information and it is important to us that all employees and clients of our firm know our policy concerning what we do with that information.

We collect personal information about our clients from the following sources:

- Information our clients provide to us to complete their financial plan or investment recommendations;
- Information our clients provide to us in agreements, account applications, and other documents completed in connection with the opening and maintenance of their accounts;
- Information our clients provide to us verbally; and
- Information we may receive from service providers, such as custodians, about client transactions.

We do not disclose non-public personal information about our clients to anyone, except in the following circumstances:

- When required to provide services our clients have requested;
- When our clients have specifically authorized us to do so;
- When required during the course of a firm assessment (i.e., independent audit); or
- When permitted or required by law (i.e., periodic regulatory examination).

Within our firm, we restrict access to client information to staff that need to know that information. All personnel and our service providers understand that everything handled in our offices are confidential and they are instructed to not discuss client information with someone else that may request information about an account unless they are specifically authorized in writing by the client to do so. This includes, for example, providing information about a spouse's IRA account, or to adult children about parents' accounts, etc.

To ensure security and confidentiality, we maintain physical, electronic, and procedural safeguards to protect the privacy of client information.

We will provide you with our privacy policy on an annual basis per federal law and at any time, in advance, if our policy is expected to change.

**Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Neither our firm, its associates or any related person is authorized to recommend to a client, or effect a transaction for a client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, advisor to the issuer, etc.

Our associates are prohibited from borrowing from or lending to a client unless the client is an approved financial institution.

Our firm is able to provide a broad range of services to its clients, including financial planning, investment consultation, investment supervisory services, among others; we may be paid a fee for all of these services. Due to our firm's ability to offer two or more of these services and possibly receive a fee for each engagement, a potential conflict of interest may exist. Therefore, we note that you are under no obligation to act on our recommendations and, if you elect to do so, you are under no obligation to complete all of them through our firm or our recommended service providers.

**Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Our firm and its "related persons" (associates, their immediate family members, etc.) may buy or sell securities the same as, similar to, or different from, those we recommend to clients for their accounts. A recommendation made to one client may be different in nature or in timing from a recommendation made to a different client. Clients often have different objectives and risk tolerances. At no time, however, will our firm or any related party receive preferential treatment over our clients.

In an effort to reduce or eliminate certain conflicts of interest involving the firm or personal trading, our policy may require that we restrict or prohibit associates' transactions in specific securities transactions.

Any exceptions or trading pre-clearance must be approved by our Chief Compliance Officer in advance of the transaction in an account, and we maintain the required personal securities transaction records per regulation.

## **Item 12 - Brokerage Practices**

### **Recommended Service Providers**

Our firm does not maintain custody of any of your assets (see Item 15). Your assets must be maintained in an account at a “qualified custodian,” generally a broker/dealer or bank (we term “service providers”) that is frequently assessed for its capabilities to serve as custodian. We are not a custodian nor do we have an affiliate that is a custodian.

When engaged to provide investment consultation or real-time planning services, we may recommend the service provider with whom your assets are currently maintained. Should you prefer a new service provider, our recommendation of another service provider would be based on your needs, overall cost, and ease of use.

We periodically conduct an assessment of any service provider we recommend which generally includes a review of their range of services, reasonableness of fees, among other items, and in comparison to their industry peers.

### **Best Execution**

In light of the nature of our services referenced in this brochure, we do not believe we are obligated to conduct “best execution” reviews of client transactions pursuant to current industry guidelines.

### **Directed Brokerage**

We do not require or engage in directed brokerage involving our client’s accounts.

You are free to use any particular broker-dealer or custodian to execute some or all transactions for your account. You will be responsible for negotiating, in advance, the terms and/or arrangements for your account with your selected service provider.

### **Aggregating Securities Transactions**

We are not engaged to provide transaction services or serve an account under discretionary authority under this agreement and each client transaction will be effected independently of another. Therefore, you must be aware that accounts where trade aggregation is infeasible may potentially be assessed higher transaction costs than those that are aggregated (“batched”).

## **Item 13 - Review of Accounts**

### **Recommended Reviews**

You should contact our firm for additional reviews when making decisions about changes in your financial situation (i.e., the loss of a job, retirement, receipt of a significant bonus, an inheritance, the birth of a new child, or other circumstances).

Periodic financial check-ups or reviews are recommended if you are receiving our financial planning and investment consultation services, and we recommend that they occur at least on an annual basis whenever practical.

If your engagement agreement calls for ongoing financial planning and investment consultation services, we encourage you to schedule these meetings in advance or you will be contacted per your plan schedule for continued review.

Reviews will be conducted by your selected financial planner and normally involve analysis and possible revision of your previous financial plan or investment allocation.

Unless provided for in your engagement agreement, reviews are generally conducted under a new or amended agreement and will be assessed at our current hourly rate.

### **Reports and Frequency**

If you have opened and maintained an investment account on your own or with our assistance, you will receive account statements sent directly from mutual fund companies, transfer agents, custodians or brokerage companies where your investments are held. We urge you to carefully review these statements for accuracy and clarity, and to ask questions when something is not clear.

We may provide portfolio reports if we are engaged to provide periodic asset allocation or investment advice; however, we do not provide ongoing performance reporting under our financial planning, investment consultation or real-time planning service engagements.

Clients are urged to carefully review and compare account statements that they have received directly from their service provider with any report received from our firm.

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

We do not engage in solicitation activities as defined by Rule 206(4)-3 of the Investment Advisers Act of 1940.

Investment advisor representatives of our firm may hold individual membership or serve on boards or committees of professional industry associations, such as National Association of Personal Financial Advisors, the Financial Planning Association, or the Garrett Planning Network. Generally, participation in any of these entities require membership fees to be paid, adherence to ethical guidelines, as well as in meeting experiential and educational requirements.

A benefit these entities may provide to the investing public is the availability of online search tools that allow interested parties (prospective clients) to search for individual participants within a selected state or region. These passive websites may provide means for interested persons to contact a participant via electronic mail, telephone number, or other contact information, in order to interview the participating member. The public may also choose to telephone association staff to inquire about an individual within their area, and would receive the same or similar information. A portion of these participant's membership fees may be used so that their name will be listed in some or all of these entities' websites (or other listings).

Prospective clients locating our firm or one of our associates via these methods are not actively marketed by the noted associations. Clients who find us in this way do not pay more for their services than clients referred to us in another fashion, such as by another client. We do not pay these entities for prospective client referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement.

#### **Item 15 - Custody**

Your funds and securities will be maintained by an unaffiliated, qualified custodian, such as a bank, broker/dealer, mutual fund companies, or transfer agent. Your assets are not held by our firm or any of our associates. In keeping with our policy of not having custody of our client funds or securities, we:

- Restrict our firm and associates from acting as trustee of a non-family member account or having full power of attorney over a client account.
- Are prohibited from having authority to withdraw securities or cash assets from a client account, other than for payment of our advisory fees. These actions will be accomplished through a qualified custodian maintaining your assets (i.e., your custodian), pursuant to a written agreement, or an unaffiliated transaction service provider, and always following your approval.
- Do not accept or forward client securities (i.e., stock certificates) erroneously delivered to our firm.
- Will not collect advance fees of \$500 or more for services that are to be performed six months or more into the future.
- Will not authorize any associate to have knowledge of a client's account access information (i.e., online 401(k), brokerage or bank accounts), even for the convenience or accommodation of the client or their legal agent.

You will be provided with transaction confirmations and summary account statements provided directly to you by your selected service provider. Typically, these statements are provided on a monthly or quarterly basis, or as transactions occur. We will not create a statement for you nor be the sole recipient of account statements.

You are urged to carefully review and compare your account statements that you have received directly from your service provider with any report you receive from our firm.

#### **Item 16 - Investment Discretion**

We provide our various forms of investment advisory services (as described in Item 4) only under *non-discretionary* account authority. We will not have the authority to implement investment decisions, such as the purchase or sale of a security on behalf of your account, without your prior authorization.

We will retain information about all client account directions, limitations and rescissions that are reviewed and approved by a supervisory principal with our firm.

## **Item 17 - Voting Client Securities**

### **Proxy Voting**

Our firm does not vote proxies on your behalf nor do we offer guidance on how to vote proxies. You will maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities that are beneficially owned by you shall be voted, as well as making all other elections relative to mergers, acquisitions, tender offers or other events pertaining to your holdings.

### **Other Corporate Actions**

We will have no power, authority, responsibility, or obligation to take any action with regard to any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets.

### **Receipt of Materials**

You may receive proxies or other similar solicitations sent directly from your selected custodian or transfer agent. Should we receive a duplicate copy, note that we do not generally forward these or any correspondence relating to the voting of your securities, class action litigation, or other corporate actions.

## **Item 18 - Financial Information**

### **Balance Sheet**

With the exception of our having the ability to withdraw our advisory fees through the services of a qualified, unaffiliated third party and per your prior written authorization (as described in Item 15), we will not have custody of your assets. This includes our policy of not collecting fees from you of \$500 or more for services we will perform six months or more in advance.

Due to the nature of our firm's services and operational practices, an audited balance sheet is not required nor included in this brochure.

### **Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

The firm and its management do not have a financial condition likely to impair our ability to meet our commitment to our clients.

### **Bankruptcy Petitions during the Past 10 Years**

The firm and its management have not been the subject of a bankruptcy petition at any time during the past 10 years.

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

This section is reserved for state-registered investment advisors and is not applicable to our firm.



### **Supervision**

We supervise our associates by requiring that they adhere to our requirements and industry regulation as described in our firm's Code of Ethics and procedural guidelines. We will monitor the advice that they may provide you by performing the following ongoing reviews:

- Account opening documentation when the relationship is established,
- Review of account transactions,
- Assessment of your financial situation, objectives, and investment needs,
- A review of correspondence on an as-needed basis, and
- Periodic office reviews.

Mary Harris-King serves as our firm's Chief Compliance Officer. Questions relative to our firm, its services, this ADV Part 2A, or one of our associates ADV Part 2Bs may be made to the attention of Ms. Harris-King at (910) FEE-ONLY [333-6659].

Additional information about our firm, other advisory firms, or associated investment advisor representatives of a firm, is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). A search of this site for firms or their associated personnel can be accomplished by name or a unique firm identifier. The IARD number for Garrett Investment Advisors, LLC is 159359.

The business and disciplinary history, if any, of an investment advisory firm and its representatives may also be obtained by calling your state securities commissioner.

### **Business Continuity Plan**

Our firm maintains a business continuity plan that is integrated with the entirety of our organization to ensure we appropriately respond to events that pose a significant disruption to its operations. A statement concerning our current plan is available under separate cover.