

## **Form ADV Part 2A Disclosure Brochure**

### **Item 1 – Cover Page**

Hanson McClain, LP. d/b/a Hanson McClain Advisors, Hanson McClain  
Retirement Plan Services and  
Hanson McClain Investment Advisors  
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Date of Brochure: March 2018

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This brochure provides information about the qualifications and investment advisory business practices of Hanson McClain Advisors. If you have any questions about the contents of this brochure please contact us at (916) 482-2196 or [info@hansonmcclain.com](mailto:info@hansonmcclain.com). 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 our investment advisory business is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our information on this website by searching for “Hanson McClain Advisors”. You can also search using the firm’s CRD numbers. The CRD number for the firm is **111167**.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This item provides information regarding specific material changes and a summary of such changes made to the Disclosure Brochure since the last annual update of the brochure which occurred in May 2017.

This Disclosure Brochure is being updated to reflect the name changes of Hanson McClain, Inc. to Hanson McClain, LP and Hanson McClain Retirement Network, LLC to Hanson McClain Retirement Network, LP. The names were changed solely as a result of each entity converting into a Delaware limited partnership in July 2017.

On September 29, 2017, a private equity fund sponsored by Parthenon Capital Partners finalized their purchase of the majority of shares of the parent company of Hanson McClain Advisors. The remaining portion of the firm will continue to be held by the founders and our employees.

HMA has entered into an agreement with LoanDepot.com to refer clients of HMA to LoanDepot.com for mortgage services. LoanDepot.com specializes in offering mortgage solutions for clients and their families. Product availability and coverage may vary by state. To the extent an HMA client or prospective client purchases mortgage services through LoanDepot.com, Hanson McClain will NOT receive any type of commission or referral fee. HMA clients also may receive a preferred interest rate as a result of a referral to LoanDepot.com. HMA and LoanDepot.com are under common control of Parthenon Capital Partners so while HMA may not receive any additional compensation from this relationship, Parthenon Capital Partners may benefit from such referrals. To help control for this conflict of interest, HMA clients are informed they are not required or obligated to utilize the services of LoanDepot.com and can work with any firm of their choice for mortgage services.

On December 29, 2017, a parent partnership of Hanson McClain, L.P. entered into an agreement with The Financial Network Group, LTD. (DBA: Simply Money Advisors, Inc.) to purchase 100% of their outstanding shares and assume control of ongoing operations. As an affiliated company, HMA may provide SMA various services including, but not limited to, Marketing, Operations, Trading and Compliance.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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#### **Item 4 – Advisory Business**

Hanson McClain, LP. doing business as Hanson McClain Advisors, Hanson McClain, Hanson McClain Retirement Plan Services and Hanson McClain Investment Advisors (also referred to as “HMA” throughout this document) is an investment advisor registered with the United States Securities and Exchange Commission.

- Hanson McClain Advisors has been registered as an investment advisor since June 21, 1996.
- The firm is 70% owned and controlled, through intermediate subsidiaries, by a private equity fund organized and sponsored by Parthenon Capital Partners, a San Francisco and Boston based private equity firm. HMG Holdco, Inc. controls 29.5% of the firm through intermediate subsidiaries. Scott Hanson and Patrick McClain are the controlling shareholders of HMG Holdco, Inc.
- The firm’s Supervisors and Executive Officers include:
  - Co-Chief Executive Officers - Scott T. Hanson and Patrick C. McClain,
  - President - Steven T. Burnett,
  - Chief Operating Officer – Pete Engelken,
  - Chief Compliance Officer - Corey C. Gamble,
  - Director of Corporate Operations/Secretary - Julia C. Frise, and
  - Chief Financial Officer – Pete Engelken.

This disclosure brochure provides important information about our Firm, our services, and fee arrangements that are provided to our clients.

If you have received this disclosure brochure, it is because you are or are considering an engagement as a direct retail client of our firm. It is important that you read the information contained within this disclosure brochure carefully and speak with your investment advisor if you have any questions about our services or arrangements.

#### **General Description of Primary Advisory Services**

The following are brief descriptions of HMA’s primary services. A detailed description of HMA’s services is provided in Item 5 – Fees and Compensation so that clients and prospective clients can review the services and description of fees in a side-by-side manner.

**Asset Management.** HMA provides advisory services in the form of asset management services through our Individual Managed Asset Program. Asset management services involve providing clients with continuous and on-going supervision over client accounts. This means that HMA will continuously monitor a client’s account and make trades in client accounts when necessary.

**Variable Sub-Account Management Services.** This service is similar to our standard Asset Management program but is focused on the management of variable annuity products purchased by our clients.

**Financial Planning.** HMA provides advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focuses on a

client's overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives.

**Qualified Plan Consulting.** HMA provides several advisory services for corporate retirement plans, separately or in combination. While the primary clients for these services will be nonqualified deferred compensation, pension, profit sharing, 401(k) and 403(b) plans, HMA will also offer these services, where appropriate, to individuals and trusts, estates and charitable organizations.

**Newsletters.** HMA periodically provides a newsletter to its clients. This newsletter contains general, educational and informational articles. Non-clients may also subscribe to this newsletter by contacting HMA. This newsletter is free of charge for clients and non-clients.

**Seminars.** HMA and its associated persons may also provide seminars to the public on general, informational and educational topics.

**Specialization.** HMA considers itself to specialize in retirement planning, investment and wealth management. Our advisors work with each client to focus on their individual retirement, planning and investment needs, as applicable. More details regarding our specific services are described in Item 5 of this brochure. In addition, you should refer to Item 8 for a description of some of the common risks associated with our advice and services.

### ***Types of Investments.***

We are willing to offer advice on most types of investments owned by a client and, at the specific request of a client, will explore investment options not currently owned by a client. However, we do not offer advice on warrants, commercial paper, options, futures, commodities or private placements such as hedge funds and other unregistered securities.

The following are some of the general categories of securities we will advise.

- Exchange-listed securities
- Securities traded over-the-counter
- Exchange Traded Funds (ETFs)
- Foreign issues
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares (open and closed ended)
- United States government securities
- Interests in partnerships investing in real estate

When providing Asset Management Services, we typically construct each client's account holdings using low-fee mutual funds, no-load mutual funds and exchange traded funds to build diversified portfolios. It is not HMA's typical investment strategy to attempt to time the market but we may increase cash holdings modestly as deemed appropriate, based on your risk tolerance and our expectations of market behavior.

### **Tailor Advisor Services to Individual Needs of Clients**

HMA's services are always provided based on the individual needs of the individual client. Clients are given the ability to impose restrictions on their accounts including specific investment selections and sectors.

When managing client accounts through our Individual Managed Asset Program, we will generally manage a client's account in accordance with one or more models developed by our Investment Committee. However, the determination to use a particular model or models is always based on each client's individual investment goals, objectives and mandates.

### **Wrap-Fee Program versus Portfolio Management Program**

HMA provides asset management services through our Individual Managed Asset Program which is a wrap-fee program. Under a wrap-fee program, advisory services and transaction services are provided for one fee. This is different from non-wrap fee management programs whereby an investment advisor firm's services are provided for a fee, but transaction services are billed separately on a per-transaction basis. Currently, we only offer wrap-fee asset management services.

### **Client Assets Managed by Hanson McClain Advisors**

The amount of client's assets managed by HMA totaled \$2,485,970,814 as of December 31, 2017. \$2,353,706,222 is managed on a discretionary basis and \$132,264,592 is managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provide in Item 4 – Advisory Business, this section provides details regarding the firm's fees and compensation arrangements.

### **Individual Managed Asset Program**

HMA has developed and sponsors the Individual Managed Asset Program (referred to as "Program") which is a wrap-fee program. Only investment advisor representatives of HMA may serve as portfolio managers in the Program. Therefore, participants in the Program must be advisory clients of HMA. All clients must execute an Individual Managed Asset Program Client Agreement prior to establishing an account(s) through the Program.

Under the Program, HMA provides investment supervisory services defined as giving continuous investment advice to a client and making investments for the client based on the individual needs of the client. Through this service, HMA offers a customized and individualized investment program for clients. Various investment strategies are provided under the Program; however, a specific investment strategy and investment policy is crafted to focus on the specific client's goals and objectives. Depending on the client's individual needs, investment recommendations will be made in, but not necessarily limited to, no-load mutual funds, funds at NAV, exchange traded funds, equity positions, and fixed income positions. The HMA Investment Committee also uses various models to manage client accounts through the Program. *Please refer to Item 8 Methods of Analysis, Investment Strategies and Risk of Loss for more information.*

Management fees for client accounts are calculated and billed quarterly in advance for each period based on the value of client account(s) at the end of the prior period. The annual management fee charged for Program may be negotiated with each client. The maximum fee charged in the program is 1.50%. HMA will provide the exact percentage based fee to each client based on both the nature and

total dollar asset value of that account(s). The fee will be stated in the fee schedule which must be signed by both HMA and the client. Management fees for client accounts are calculated and billed quarterly in advance of each period.

Management fee will be based on the value of client account(s) on the last day business day of each calendar quarter. Adjustments will be made in the case of any individual contributions or withdrawals which exceed \$10,000 made to the account during the quarter.

The Program management fee covers HMA's advisory services (including initial and ongoing reviews of financial circumstances) and all trade execution fees charged by Hanson McClain Securities or another broker-dealer selected by HMA. Specifically, the fee will cover all commissions, prime broker fees, and any other transaction fees relating to the execution of securities transactions within client accounts. Clients may be charged a fee by the receiving custodian should the transfer assets from HMA and the client is wholly responsible for these fees.

This section is intended as a brief summary of the Program. Clients contracting for the Program will receive the Individual Managed Asset Program Wrap Fee Brochure which provides detailed information regarding the Program.

#### **Variable Sub-Account Management Services**

Under our sub-account management services, HMA manages your variable annuity and/or variable life contract(s) by monitoring, advising, recommending and exchanging as necessary between sub-accounts available from the insurance company issuing the variable annuity or variable life contract(s). Our sub-account management services are provided to the sub-accounts of your variable annuity and variable life contract(s).

Under this program, we assist you in completing a questionnaire which details your financial goals, risk tolerance and time horizon. You will have the opportunity to list on your investment advisory agreement with our firm any reasonable restrictions on the sub-accounts that may be utilized by HMA. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We will be reasonably available to consult with you relative to the status of your account. Our variable sub-account management services involve us providing you with continuous and ongoing supervision over your account.

Once you have provided us with the necessary information and made the appropriate authorizations, HMA utilizes limited discretionary authority to select or exchange among the sub-accounts available under your variable annuity or variable life contract in accordance with your disclosed investment objective and risk tolerance. HMA may utilize signal providers for guidance regarding investment strategies, asset allocations and timing of exchanges. HMA will monitor your sub-accounts and exchange sub-accounts as necessary and in accordance with your investment objective and risk tolerance.

The insurance companies issuing your variable annuity contracts will charge management expenses. In addition, your variable annuity contract may be subject to exchange fees and surrender charges. Please refer to the prospectus of your variable annuity and/or variable life contract for more details about the insurance company's management expenses and any exchange or surrender fees.

You will not incur an annual investment advisory fee for our variable sub-account management service. When purchasing variable annuities and variable life contracts through Hanson McClain Securities, Hanson McClain Securities will earn commissions however your investment adviser representative in his or her separate capacity as a registered representative of Hanson McClain Securities and an insurance agent will not directly receive a commission as part of this transaction. Your investment adviser representative is compensated with a base salary and may earn additional compensation based on assets under management. They are not compensated on a per transaction basis. Due to the receipt of commissions by Hanson McClain Securities, HMA does not charge a separate investment advisory or investment management fee for managing the variable annuity sub-accounts.

You or HMA may terminate this service for any reason by providing the other party with written notice. We will terminate the service with you upon providing you with written notice which will be effective thirty (30) days after you receive the written notice.

**Financial Planning (Specialized Planning Services)**

HMA can provide comprehensive financial plans in both oral and written format. Clients receiving this service must execute an HMA Specialized Planning Services Agreement prior to commencing services. Clients may contract to meet with HMA concerning any topic(s) of financial interest or concern to client. However, financial planning services generally include, but are not limited to, the following topics:

Investment Planning: HMA will review the current investment programs with regard to the overall asset allocation currently established (mix of stock, bonds and cash).

Tax Planning: HMA will review any tax documents provided and see if there are any items they can identify that may be grossly incorrect. HMA does not provide tax advice.

Cash Management: HMA will review a budget prepared by the future client to see if there are areas that can be better managed, or any debt restructured to better manage cash flow. HMA may also consult on short-term cash investment (i.e. CD's, money markets).

Risk Management: HMA will conduct a review of a client's current insurance programs to determine if the appropriate amount of coverage is in place.

Retirement Planning: Encompasses all of the above with the addition of an expected amount of income a client may generate from all asset sources available.

Education Planning: HMA will review the amount needed to save over a specific time to obtain the necessary tuition as established by the future client.

Estate Planning: HMA will review the entire estate of a future client, including any future inheritances, to determine if an estate planning attorney referral is needed in the event that a relationship does not exist. HMA does not give any legal advice.

A flat fee will be charged for the Specialized Planning Services noted above. The fee will be no more than \$2,500 for the Plan depending upon the number of areas reviewed under the Plan, complexity of the Client's situation and the proposed services.

Upon delivery of the Plan, the client will receive one (1) additional hour of consultation with Hanson McClain regarding the Plan and any additional information that may be material to the advice rendered



within 12 months of the Plan delivery date. Additional time requested beyond the additional one (1) hour will result in additional fees charged to the client based upon the extent of additional services requested. Additional fees charged, due upon execution of the Specialized Planning Services Amendment, may be either hourly at a rate of no more than \$500 or a flat fee of no more than \$2,500 based upon the client's wishes.

HMA may request a retainer of one-half of the anticipated agreed upon fee to be paid by client at the time the contract for services is signed, with the remainder due upon presentation or completion of the financial plan. If no retainer is required, the entire fee will be due upon presentation or completion of the financial plan to client.

The Specialized Planning Services Agreement will terminate upon delivery of the written plan or upon either party providing the other party with written notice. If the client terminates the Specialized Planning Services Agreement after entering into this Agreement, the client will be responsible for immediate payment of any financial planning services performed by Hanson McClain under this Agreement prior to the receipt by Hanson McClain of client's notice as described above. In the event that there is a remaining balance of any fees paid in advance after the deduction of fees from the final invoice, those remaining proceeds will be refunded by Hanson McClain to the client.

In addition to providing advisory services, HMA's advisor representatives may also be registered securities agents. Some of HMA's advisor representatives are also independently licensed insurance agents. Therefore, HMA and Hanson McClain Securities can earn both fees when providing advisory services and commissions when selling securities and/or insurance products. Your investment adviser representative is compensated with a base salary and may earn additional compensation based on assets under management. They are not compensated on a per transaction basis.

Clients can select any broker/dealer or insurance agent they wish to implement commission-based transactions. If clients elect to have HMA's advisor representatives implement commission-based transactions, the advisor representatives may waive or reduce the amount of the Specialized Planning Services fee charged by the amount of commissions Hanson McClain Securities may earn on these transactions. Any reduction will not exceed 100% of the commission received and will be disclosed to clients prior to any services being provided.

Clients may also elect to implement the advice of the associated persons through the Program. In this case, advisor representatives may waive or reduce the amount of the financial planning fee as a result of additional Program fees being earned. Any reduction will be disclosed to clients prior to any services being provided.

#### **Qualified Retirement Plan Consulting Services**

Clients may engage HMA to provide qualified retirement plan consulting services. Qualified retirement plan consulting services may include, but are not necessarily limited to, development and maintenance of model investment portfolios, recommendations regarding investment selection, and educational presentations to plan participants. Below is a list, with descriptions, of the suite of services offered through this program.

## Fiduciary Consulting Services

- Investment Policy Statement Preparation. HMA will help you develop an investment policy statement. The investment policy statement establishes the investment policies and objectives for the Plan. You will have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.
- Plan Design Consulting. HMA will provide data, benchmarking and tools to help you design the most appropriate plan for your business and employees. HMA will analyze your current plan and evaluate the implications of alternative designs. You will have the ultimate responsibility and authority to establish your plan and implement any changes.
- Non-Discretionary Investment Advice. HMA will provide you with general, non-discretionary investment advice regarding assets classes and investment options, consistent with your Plan's investment policy statement.
- Investment Selection Services. HMA can assist the Client with recommendations of suitable investments that may be held within the plan consistent with ERISA section 404(c).
- Investment Due Diligence Review. HMA will provide you with periodic due diligence reviews of the Plan's reports, investment options and recommendations.
- Investment Monitoring. HMA will assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and HMA will make recommendations to maintain or remove and replace investment options.
- Default Investment Alternative Advice. HMA will provide you with non-discretionary investment advice to assist you with the development of qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election. You will retain the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).

The services listed above are considered Fiduciary Consulting Services and the exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Consulting Agreement. HMA acknowledges that in performing the Fiduciary Consulting Services listed above that it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of Employee Retirement Income Security Act of 1974 ("ERISA") for purposes of providing non-discretionary investment advice only. HMA will act in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause HMA to be a fiduciary as a matter of law. However, in providing the Fiduciary Consulting Services, HMA (a) has no responsibility and will not (i) exercise any discretionary authority or discretionary control respecting management of Client's retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of Client's retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of Client's retirement plan or the interpretation of Client's retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the "Administrator" of Client's retirement plan as defined in ERISA.

## **Fiduciary Management Services**

HMA provides clients with the following Fiduciary Retirement Plan Management Services:

- Discretionary Management Services. HMA will provide you with continuous and ongoing supervision over the designated retirement plan assets. HMA will actively monitor the designated retirement plan assets to actively buy, sell, reinvest and hold securities, cash or other investments of the Plan. We have discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for the designated retirement plan assets at our sole discretion without first consulting with you. We also have the power and authority to carry out these decisions by giving instructions, on your behalf, to brokers and dealers and the qualified custodian(s) of the Plan for our management of the designated retirement plan assets.
- Discretionary Investment Selection Services. HMA will monitor the investment options of the Plan and add or remove investment options for the Plan. HMA will have discretionary authority to make all decisions regarding the investment options that will be made available to Plan participants.
- Default Investment Alternative Management. HMA will develop and actively manage qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election.
- Investment Management via Model Portfolios. HMA will provide discretionary management via model portfolios. HMA manages Model Portfolios which are investment options available to Plan participants. If a Plan has elected to include HMA's Model Portfolios as available options for the qualified retirement plan, then each Plan participant will have the option to elect or not elect the Model Portfolios managed by HMA and will be allowed to impose reasonable restrictions upon the management of each account by written instructions to HMA.

If you elect to utilize any of HMA's Fiduciary Management Services, then HMA will be acting as an Investment Manager to the Plan, as defined by ERISA section 3(38), with respect to our Fiduciary Management Services, and HMA hereby acknowledges that it is a fiduciary with respect to its Fiduciary Management Services. There may be an additional charge when HMA acts as a 3(38) Investment Manager to the Plan.

## **Non-Fiduciary Services**

- Qualified Plan Development. If needed, HMA can assist clients with the establishment of a qualified plan by working with the client and a selected Third-Party Administrator. When a client has not already selected a Third-Party Administrator, HMA can assist the client with the review and selection of a Third-Party Administrator for the Plan.
- Educational Presentations. HMA can provide educational presentations for plan participants. Presentations to participants are informational in nature and intended to provide an overview of the plan and the plan's investment selections. Educational presentations never take into account the individual circumstances of participants and individual recommendations will not be provided.

- Due Diligence Review. Upon request from a client, HMA can provide a client with periodic due diligence reviews of the plan and the plan's investment options.
- Disclosure. HMA can assist clients with required information and disclosures under the 404(c) Rules concerning the Investment Options to be distributed to participants.
- Participant Enrollment. HMA can support the client with plan participant enrollments.

Although an investment adviser is considered a fiduciary under the Investment Advisers Act of 1940 and required to meet the fiduciary duties as defined by the Advisers Act, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA since Advisor is not acting as a fiduciary to the Plan as the term "fiduciary" is defined in Section 3(21)(A)(ii) of ERISA.

The exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Agreement.

In the event a client contracts HMA for one-on-one consulting services with Plan Participants, such services are consulting in nature and do not involve HMA implementing recommendations in individual participant accounts. It will be the responsibility of each Participant to implement changes in their individual accounts.

The Plan custodian will send statements to the Plan, at least quarterly, showing all disbursements from the Plan, including the amount of the advisory fee paid and when such fee is deducted directly from the Plan. Upon request, HMA will send the Plan a fee billing notice showing the amount of the fee that will be deducted, the manner in which the fee was calculated, any adjustments to the fee and an explanation of such adjustments.

Fees for qualified retirement plan consulting services may be calculated and billed in advance or in arrears each quarter. Fees are based on the total market value of the Plan at the close of the quarter. The maximum fee for qualified retirement plan consulting services shall not exceed 2.50% of assets under advisement. Fees are negotiable based on factors such as, but not limited to, the size of the plan and the number of participants.

The minimum annual fee is \$5,000 and the minimum account size is \$200,000 invested. If the minimum is not met as a result of the asset based fee listed above, the balance will be billed directly to the Plan sponsor.

The actual fee charged to a client will be noted in the Qualified Retirement Plan Consulting Agreement. Fees are generally deducted from the Plan by the custodian and paid to HMA based upon the custodian's receipt of written authorization to have the fees deducted from the Client's account and paid to HMA. If agreed to in advance and at the discretion of HMA, HMA may bill the Client directly rather than have fees automatically deducted from the Plan. For any Clients that HMA bills directly, fees for HMA's qualified retirement plan consulting services are due within 30 days after Client's receipt of the billing notice.

Certain expenses incurred by HMA in order to perform the agreed upon Plan services will be considered outside of the standard fee for services described above and will be billed directly to client in addition to the agreed upon service fee indicated. Any outside expenses that clients may be responsible for will be described in the Qualified Retirement Plan Consulting Agreement.

In addition to HMA's compensation, the Client will also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses) and charges imposed by the Plan custodian and Third-Party Administrator (if applicable). Brokerage commissions and/or transaction ticket fees charged by the custodian will be billed directly to Client by the custodian. HMA will not receive any portion of such brokerage commissions or transaction fees from the custodian or Client. Service fees charged by HMA are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to Clients. A description of these fees and expenses are available in each investment company security's prospectus.

Either Client's authorized representative or HMA may terminate the Qualified Retirement Plan Consulting Agreement with 30 days written notice to the other party. A refund of any unearned fees will be made based on the time expended by HMA before termination. A full refund of any fees paid will be made if the agreement is terminated within five business days. The Qualified Retirement Plan Consulting Agreement terminates upon failure of the Client to pay Service Fees pursuant to the terms stated in that Agreement.

HMA will disclose, to the extent required by ERISA Regulation Section 2550.408b-2(c), to you any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclose as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the Plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to our brochure because we do not charge or accept performance-based fees which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

#### **Item 7 – Types of Clients**

We offer advisory services to:

- Individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations

### **Minimum Investment Amount Required**

We require a minimum investment amount of \$100,000 to establish an investment management account. Exceptions to the minimum investment amount may be granted in certain circumstances.

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

### **Method of Analysis in Formulating Investment Advice**

HMA uses both quantitative and qualitative analysis in evaluating the managers or investments strategies that we employ as well as in determining which sub-asset classes we use and what over- or under-weights we make regarding the asset allocation for each model portfolio. This analysis may further include an analysis of fundamentals, valuations, growth prospects, styles or factor premia, modern portfolio theory, risk statistics, behavioral finance, macroeconomic data, and technical data. This analysis may be done at the fund or manager level or it may be done at the security level.

The risk associated with qualitative analysis is that in our approach of determining how market forces interact with one another in their impact on the investment in question is somewhat subjective. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

To help control for this risk we also use quantitative methods to help balance our qualitative analysis. However, quantitative analysis poses risks that include underlying numbers and data being inaccurate. Moreover, our interpretation of such numbers and data may be inaccurate.

### **Investment Strategies when Managing Client Assets and/or Providing Investment Advice**

HMA utilizes several risk-based, relative return models when managing client accounts:

- **Aggressive Growth.** This model seeks to capture 80-100% of the risk and return of broad equity markets.
- **Growth:** This model seeks to capture 60-80% of the risk and return of broad equity markets.
- **Growth and Income:** This model seeks to capture 50-70% of the risk and return of broad equity markets.
- **Balanced:** This model seeks to capture 40-60% of the risk and return of broad equity markets.
- **Moderate Conservative:** This model seeks to capture 30-50% of the risk and return of broad equity markets.
- **Conservative:** This model seeks to capture 20-40% of the risk and return of broad equity markets.
- **Diversified Income:** This model focuses on current income while seeking 20% or less of broad equity exposure.

### **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk.

Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, HMA is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through this investment management program.

- ETF risks – Buying or selling an ETF during market hours may result in higher or lower values than the index that it is based on. This may have to do with the time of the purchase or sale, the bid-ask spread of the ETF, or the amount of daily volume that is traded for the ETF. While generally low, ETFs have expenses that are absorbed by clients. The risk of owning an ETF generally reflects the risks of owning the underlying securities the ETF holds. There may be trading costs associated with ETF trades.
- Mutual fund risks – Mutual fund trades only occur at the end of the trading day, regardless of when purchase or sell orders are placed. Depending on intra-day market movements, this may be better or worse than trading at other times. Along with expenses that are absorbed by clients, there may be additional expenses incurred based on early redemptions made by clients. Clients in non-qualified accounts may incur capital gain and dividend income distributions that taxes will need to be paid on, regardless of whether a sale was made. The risk of owning a mutual fund generally reflects the risks of owning the underlying securities the mutual fund holds. There may be trading costs associated with mutual fund trades.
- Market Risk – Equity markets as a whole can go down, resulting in a decrease in the value of client investments that are invested in broad equity exposures. This is also referred to as systemic risk and cannot be diversified away by adding more equity positions.
- Stock Specific Risk – When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. 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.
- Credit Risk – When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments or that an issue will be downgraded. Fixed income instruments that have higher credit risk pay a higher yield than those of a higher credit quality to compensate investors for the risk of potential default or downgrade.
- Interest Rate Risk – When investing in high quality corporate bonds, Treasuries, or other government-related bonds, these issues generally have very little if any credit risk, but can also be very sensitive to changes in interest rates. Bonds with longer maturities generally have the highest degree of interest rate risk. As interest rates increase, the value of the bond decreases.

- Liquidity Risk – To the degree that a stock, bond, mutual fund, ETF or other investment cannot be sold easily, investors may not be able to quickly get out of an investment in a timely manner. This also holds true for interval mutual funds where investors may only liquidate their funds at specified times, often at the end of a calendar quarter. Liquidity risk can be an issue of one needs to immediately convert their assets to cash and this risk generally becomes more prevalent when asset prices are precipitously declining.
- Margin Risk – Individuals that have authorization to use financial leverage to increase the return are also taking on the risk that the investment moves in the opposite direction and their assets fall in value more than if they had not used borrowed money to invest. Investors are also susceptible to margin calls from the custodian, requiring them in many instances to sell at already depressed prices to reduce their margin exposure.
  - A margin account will be carried by the broker/dealer of your account. The securities purchased in such an account are the broker/dealer's collateral for its loan to you.
  - If the securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and, as a result, a brokerage firm is required to take action, such as issue a margin call and/or sell securities or other assets in your accounts, in order to maintain necessary level of equity in the account.
  - It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any Margin Account that may be established as a part of our Investment Management Services and held by your broker/dealer. These risks include the following:
    - You can lose more funds than you deposit in your margin account.
    - The broker/dealer can force the sale of securities or other assets in your account.
    - The broker/dealer can sell your securities or other assets without contacting you.
    - You are not entitled to choose which securities or other assets in your margin account that may be liquidated or sold to meet a margin call. The broker/dealer may move securities held in your cash account to your margin account and pledge the transferred securities. The broker/dealer can increase its "house" maintenance margin requirements at any time and are not required to provide you with advance written notice.
    - You are not entitled to an extension of time on a margin call.

### **Item 9 – Disciplinary Information**

This item is not applicable to our brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2 instructions that are material to a client's or prospective client's evaluation of our business or integrity.



## Item 10 – Other Financial Industry Activities and Affiliations

HMA is **not** and does **not** have a related company that is a (1) futures commission merchant, commodity pool operator, or commodity trading advisor, (2) banking or thrift institution, (3) accountant or accounting firm, (4) lawyer or law firm, (5) pension consultant, (6) real estate broker or dealer, or (7) sponsor or syndicator of limited partnerships.

### **Hanson McClain Retirement Network, LP doing business as Hanson McClain Securities**

HMA is under common ownership with a full-service, introducing broker/dealer, Hanson McClain Retirement Network, LP, doing business as Hanson McClain Securities. Hanson McClain Securities is a member of FINRA and SIPC. Hanson McClain Securities is also an investment advisor registered with the SEC.

HMA and Hanson McClain Securities are owned by HMG Holdco, Inc., a holding company with majority ownership controlled equally between Scott Hanson and Pat McClain.

Advisor representatives of HMA may also be registered securities agents with Hanson McClain Securities. When placing securities transactions through Hanson McClain Securities in their capacity as registered securities agents, HMA advisory representatives are allowed to earn sales commissions however HMA advisory reps do not directly earn commissions. Your investment adviser representative is compensated with a base salary and may earn additional compensation based on assets under management. They are not compensated on a per transaction basis.

HMA's advisor representatives will only recommend securities products to a client if such products are suitable for the client and appropriate for fulfilling the client's asset allocation strategy and objectives. In doing so, HMA, Hanson McClain Securities, its associated persons and employees are prohibited from trading on material non-public information.

In addition to providing retail brokerage services, Hanson McClain Securities provides marketing, consulting, and client acquisition services to other investment adviser firms, broker/dealers and their representatives through the Hanson McClain Retirement Network. Hanson McClain Securities' registration as an investment advisor is not materially significant to the HMA clients. Hanson McClain's advisory services are completely separate and unrelated to the advisory services provided by HMA. However, some HMA advisor representatives are dually licensed as advisory representatives with Hanson McClain.

Hanson McClain Securities is also a licensed insurance agency and the associated persons of Hanson McClain Securities and HMA may also be independently licensed to sell insurance products through various insurance companies. When acting in these capacities, commissions are paid to Hanson McClain Securities for selling these products.

The compensation received from Hanson McClain may create a conflict of interest whenever an associated person recommends an insurance or investment product through Hanson McClain Securities.

### **Affiliation with Financial Network Group (DBA: Simply Money Advisors)**

HMA is under common ownership with a full-service retail investment advisory firm doing business as Simply Money Advisors ("SMA"). SMA is an investment advisor registered with the SEC.

HMA and SMA are owned by Hanson McClain Group, L.P., a holding company controlled by Parthenon Capital Partners, Scott Hanson and Pat McClain.

HMA employees may provide services to SMA including, but not limited to, Marketing, Technology, Operations, Trading and Compliance. To provide these services, some HMA advisor representatives may be dually licensed as advisory representatives with SMA.

*Please refer to Item 12 – Brokerage Practices for information regarding Hanson McClain Securities including conflicts of interests.*

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

### **Code of Ethics Summary**

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts. In addition, an investment adviser has a duty of utmost good faith to act solely in the best interest of each of its clients. HMA and its supervised persons have a fiduciary duty to all clients. HMA has established a Code of Ethics, which all supervised persons must read and then execute an acknowledgement agreeing that they understand and agree to comply with HMA's Code of Ethics. HMA and its supervised persons' fiduciary duty to clients is considered the core underlying principle for HMA's Code of Ethics and represents the expected basis for all supervised persons' dealings with clients. HMA has the responsibility to make sure that the interests of clients are placed ahead of it or its associated persons' own investment interests. All supervised persons will conduct business in an honest, ethical and fair manner. All supervised persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All supervised persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the supervised persons' duty of complete loyalty to their clients. This section is only intended to provide current clients and potential clients with a description of HMA's Code of Ethics. If current or prospective clients wish to review HMA's Code of Ethics in its entirety, a copy may be requested from any of HMA's supervised persons and a copy will be provided promptly.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

HMA's supervised persons may buy or sell securities or have an interest or position in a security for their personal account that they also recommend to clients. As these situations may represent a potential conflict of interest, it is a policy of HMA that no associated persons shall prefer his or her own interest to that of the advisory client. No person supervised by HMA may purchase or sell any security prior to a transaction or transactions being implemented for an advisory account. Supervised persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. HMA maintains a list of all securities holdings for itself and all supervised persons, which is reviewed on a regular basis by a principal of the firm.

## Item 12 – Brokerage Practices

This section provides information about our brokerage practices in addition to the information detailed in Item 5 – Fees and Compensation.

### **Arrangement with Hanson McClain Securities and National Financial Services**

Clients wishing to implement HMA's financial planning advice, pursuant to an executed Specialized Planning Services Agreement, are free to select any broker/dealer or investment advisor they wish and are so informed. If clients wish to have HMA's advisor representatives implement the advice in their capacity as registered securities agents or through the Program, then HMA's affiliated broker/dealer, Hanson McClain Securities, can be used. Advisor representatives of HMA are registered securities agents of Hanson McClain Securities and are required to use the services of Hanson McClain Securities and Hanson McClain Securities approved clearing broker-dealer when acting in their capacity as registered securities agents. Hanson McClain Securities serves as the introducing broker-dealer. All accounts established through Hanson McClain Securities will be cleared and held at National Financial Services which acts as the qualified custodian.

The utilization of Hanson McClain Securities is based on HMA's decision that HMA can provide efficient and cost-effective services through its affiliated broker/dealer. However, the use of an affiliated broker/dealer is an inherent conflict of interest between HMA and its clients because allowing HMA clients to use Hanson McClain Securities as the broker/dealer allows Hanson McClain Securities to retain brokerage revenue that would otherwise be retained by an unaffiliated broker/dealer. However, HMA/Hanson McClain Securities attempt to control for this conflict of interest in Program accounts by Hanson McClain Securities not retaining any portion of the Program management fees even though Hanson McClain Securities serves as introducing broker/dealer for Program accounts. Clients should understand that not all investment advisors require the use of a particular broker/dealer or require the use of a broker/dealer that is affiliated with the investment advisor.

The requirement that Hanson McClain Securities use National Financial Services LLC ("NFS") (which is not affiliated with Hanson McClain/HMA) is based on the fact that Hanson McClain Securities has established a clearing agreement with NFS as its preferred clearing broker/dealer and qualified custodian. Because HMA and Hanson McClain Securities are under common ownership and have mutual executive officers and control persons, the decision to use NFS was mutually determined by both Hanson McClain and HMA. The decision to use NFS is based on past experiences, minimizing brokerage expenses and other costs as well as offerings or services NFS provides that Hanson McClain Securities, HMA or clients may require or find valuable. There are some investment advisors that permit the use of multiple broker/dealers and permit clients to select the broker/dealer. HMA has considered the positive factors to this approach which include the ability to better negotiate brokerage costs such as transaction fees, the ability to better analyze speed of execution, and the ability to compare and negotiate services. Considering all factors in relation to HMA's structure and capacities, HMA has concluded that multiple brokerage arrangements selected by HMA (including Hanson McClain Securities/NFS) is a better policy than utilizing one brokerage platform. However, the current policy may change in the future and if HMA decides to permit other brokerage arrangements all clients will be made aware of the change in policy.

As previously stated Hanson McClain Securities does not receive a portion of the Program fees for its brokerage services. Commission and fee structures of various broker/dealers, along with services, research and tools are periodically reviewed by HMA in order to evaluate the overall execution services provided by Hanson McClain Securities and NFS. Accordingly, while HMA will consider competitive

rates, it may not necessarily obtain the lowest possible commission and brokerage rates for client account transactions. Therefore, the overall services provided by both Hanson McClain Securities and NFS are evaluated to determine the level of best execution provided to clients. However, considering HMA requires its clients to use the brokerage services of Hanson McClain Securities and NFS, HMA may not be able to achieve the *most* favorable execution of client transactions and therefore HMA's practice of requiring the use of Hanson McClain Securities and NFS may cost clients more money compared to advisory programs offered by other investment advisors.

While clients may be able to attain brokerage services with lower costs and expenses, clients should be aware of some of the qualitative factors HMA considers for selecting Hanson McClain Securities and NFS as its required Program brokerage platform. These factors include, but are not necessarily limited to, being able to rely on the internal staff of Hanson McClain Securities to provide operations, trading, and other services.

NFS is able to provide numerous specialized service groups and a Client Service Manager who is dedicated to servicing Hanson McClain Securities and Program accounts. Their back-office system generates over 400 exception reports designed to monitor all aspects of brokerage accounts, including trading, money movement, transfers, and client account data. Client paperwork is processed through a secure electronic workflow system. NFS's electronic trading platform provides a real-time order matching system, ability to "block" client trades, Program investment models, automated rebalancing, account balance and position information, and access to over 350 mutual fund families, including Fidelity funds and 4500 mutual funds not affiliated with Fidelity, of which over 2,000 have no transaction fees. Clients may access their account information over the internet, including balances, transactions, positions, statements, confirmations, and tax documents. Advisory fees can be calculated on aggregated account balances and are debited directly from client accounts.

#### **Arrangement with TD AMERITRADE**

In lieu of opening an Individual Managed Asset Program (the "Program") account through Hanson McClain Securities, clients may have the option to establish accounts directly at TD AMERITRADE Institutional as a result of HMA's participation in the TD AMERITRADE Institutional program. TD AMERITRADE Institutional, a division of TD AMERITRADE Inc. is a registered broker/dealer, member FINRA/SIPC/NFA ("TD Ameritrade"), and will serve as the client's qualified custodian and maintain physical custody of all client funds and securities. You must designate HMA as your investment advisor on the accounts you'd like HMA to manage. HMA will be granted limited power-of-attorney on the account to implement trades within the account and (when agreed to by the client) deduct HMA advisory fees from the account and assist in effecting distributions at the client's request.

TD AMERITRADE is an independent and unaffiliated broker-dealer. TD AMERITRADE offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. There is no direct link between our participation in the program and investment advice that we give to clients, although our recommendation (and in some cases requirement) to use TD AMERITRADE is partially based on economic benefits received by HMA through our agreement with TD AMERITRADE Institutional 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 HMA 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 HMA by third party vendors. TD AMERITRADE may also have paid for business consulting and professional services received by HMA's related persons. Some of the products and services made available by TD AMERITRADE through TD AMERITRADE Institutional may benefit HMA but may not benefit all Program accounts. These products or services may assist HMA in managing and administering Program accounts, including accounts not maintained at TD AMERITRADE. Other services made available by TD AMERITRADE are intended to help HMA manage and further develop its business enterprise. The benefits received by HMA or its personnel through participation in TD AMERITRADE Institutional do not depend on the amount of brokerage transactions directed to TD AMERITRADE. As part of its fiduciary duties to clients, HMA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by HMA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence HMA's choice of TD AMERITRADE for custody and brokerage services.

HMA also receives from TD Ameritrade certain additional economic benefits ("Additional Services" and "Consulting Services") that are not offered to all other independent investment advisors participating in the program. Specifically, the Additional Services include funds to be utilized by HMA for new technology platforms that include Envestnet Tamarac portfolio accounting/management software. The Consulting Services make available certain consulting relationships and related services to assist HMA in potentially improving its ongoing business strategy and operations. TD Ameritrade provides or makes available consulting services to HMA on business planning issues.

TD Ameritrade provides the Additional and Consulting Services to Advisor in its sole discretion and at its own expense, and Advisor does not pay any fees to TD Ameritrade for the Additional and Consulting Services. HMA and TD Ameritrade have entered into separate agreements ("Additional Services Addendum" and "Consulting Services Addendum") to govern the terms of the provision of these added services.

HMA's receipt of Additional and Consulting Services raises potential conflicts of interest. In providing these added services to HMA, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, HMA's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional and Consulting Services Addendum with HMA, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain these added services from TD Ameritrade, HMA may have an incentive to recommend to its Clients that the assets under management by HMA be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. HMA's receipt of Additional and Consulting 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.

#### **Arrangement with Fidelity Institutional Wealth Services**

In lieu of opening an Individual Managed Asset Program (the "Program") account through Hanson McClain Securities, clients may have the option to establish accounts directly at Fidelity Institutional Wealth Services as a result of HMA's participation in the Fidelity Institutional Wealth Services program. Fidelity Institutional Wealth Services, a division of Fidelity, Inc. is a registered broker/dealer, member FINRA/SIPC/NFA ("Fidelity"), and will serve as the client's qualified custodian and maintain physical custody of all client funds and securities. You must designate HMA as your investment advisor on the accounts you'd like HMA to manage. HMA will be granted limited power-of-attorney on the account to

implement trades within the account and (when agreed to by the client) deduct HMA advisory fees from the account.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables HMA to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

Fidelity agrees to pay up to a maximum of \$150,000 for eligible transition related expenses incurred in connection with the conversion of accounts from Hanson McClain Securities, a full service broker/dealer under common ownership with HMA, and then cleared through National Financial Services, LLC (referred to as "NFS") a registered broker/dealer member FINRA/SIPC.

As a result of receiving such services for no additional cost, HMA may have an incentive to continue to use or expand the use of Fidelity's services. HMA examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of HMA's clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where HMA determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. 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 the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although HMA will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by HMA will generally be used to service all of HMA's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. HMA and Fidelity are not affiliates, and no broker-dealer affiliated with HMA is involved in the relationship between HMA and Fidelity.

#### **Arrangement with Schwab Advisor Services**

In lieu of opening an Individual Managed Asset Program (the "Program") account through Hanson McClain Securities, clients may have the option to establish accounts directly at Schwab Advisor Services as a result of HMA's participation in the Schwab Advisor Services program. Schwab Advisor Services, a division of Charles Schwab, Inc. is a registered broker/dealer, member FINRA/SIPC/NFA ("Schwab"), and will serve as the client's qualified custodian and maintain physical custody of all client funds and securities. You must designate HMA as your investment advisor on the accounts you'd like HMA to manage. HMA will be granted limited power-of-attorney on the account to implement trades within the account and (when agreed to by the client) deduct HMA advisory fees from the account.

Schwab charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Schwab enables HMA to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Schwab's commission rates are generally considered discounted from customary retail commission rates. However,

the commissions and transaction fees charged by Schwab may be higher or lower than those charged by other custodians and broker-dealers.

Schwab agrees to reimburse HMA clients who select Schwab as their custodian up to a maximum of \$25,000 for eligible Transfer of Account exit fees.

As a result of receiving such services for no additional cost, HMA may have an incentive to continue to use or expand the use of Schwab's services. HMA examined this potential conflict of interest when it chose to enter into the relationship with Schwab and has determined that the relationship is in the best interests of HMA's clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where HMA determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. 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 the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although HMA will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by HMA will generally be used to service all of HMA's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. HMA and Fidelity are not affiliates, and no broker-dealer affiliated with HMA is involved in the relationship between HMA and Schwab.

#### **Aggregation of Client Orders**

Transactions implemented by HMA for client accounts are generally effected independently, unless HMA decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and may be used by HMA. Even if more advantageous to clients, HMA does not typically aggregate orders. If HMA chooses to aggregate client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among HMA clients in proportion to the purchase and sale orders placed by an individual HMA investment advisor representative for each client account on any given day. When HMA determines to aggregate client orders for the purchase or sale of securities, including securities in which an associated person of HMA may invest, HMA will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, HMA does not receive any additional compensation or remuneration as a result of aggregation.

#### **Trading Error Policy**

HMA has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of HMA to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction but will not receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by HMA or Hanson McClain Securities if the error was caused by HMA or Hanson McClain Securities.

Hanson McClain Securities may maintain gains resulting from correcting a trade error that are not retained by the client and in some instances may use such gains to offset overall losses Hanson McClain Securities incurs from trading errors.

For TD AMERITRADE and Fidelity accounts, TD AMERITRADE and Fidelity will retain gains retained in the account and donate the net proceeds to charity. For SCHWAB accounts, SCHWAB will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, Advisor will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

### **Item 13 – Review of Accounts**

#### **Account Reviews and Reviewers**

Because financial planning services, pursuant to an executed Specialized Planning Services Agreement, terminate upon presentation of the financial plan or asset allocation strategy or upon completion of the consultations, no reviews are conducted for these accounts. However, clients contracting for asset allocation strategy services may have HMA's advisor representatives monitor their portfolio on an annual or semi-annual basis for adherence to the recommended allocation strategy. This monitoring activity is not a complete account review. HMA recommends that all clients have their financial situation reviewed at least annually. If client elects to perform this review and update, a new contract for services may be required and additional fees may be charged.

Account reviews are provided in connection with Individual Managed Asset Program accounts. For clients participating in the Individual Managed Asset Program, the client will be contacted at least annually for the purpose of reviewing their account and to determine if there have been changes in their financial situation or investment objectives. The calendar is the main triggering factor, although more frequent reviews may also be triggered by changes in the client's circumstances, client request, or changes within the market.

The underlying investments held in Individual Managed Asset Program accounts and the recommended holdings in HMA portfolios are reviewed on a more frequent basis. Model portfolios are usually reviewed as frequently as monthly, but no less than quarterly. The HMA Investment Committee is responsible for reviewing the model portfolios and their holdings. Triggering factors for changes to underlying portfolios include the relative valuation changes between asset classes, deviation from management style by fund, and fund closures. HMA is responsible for ongoing rebalancing, reallocation and ongoing trading services for Program accounts.

#### **Statements and Reports**

Clients will receive confirmations and/or statements from the investment company, broker/dealer and/or clearing firm at which client's account is maintained. Upon specific client request, HMA will prepare reports showing client's current portfolio holdings.

Clients participating in the Individual Managed Asset Program will receive statements and confirmations from their qualified custodian on at least a quarterly basis. Clients may opt-out of receiving confirmations for Program. Clients may also receive quarterly, monthly, or on-demand reports showing the investment performance of their accounts from HMA. **Clients are urged to compare the reports provided by HMA against the account statements they receive directly from the account custodian.**



## Item 14 – Client Referrals and Other Compensation

### **Client Referrals**

HMA associated persons may receive a bonus when attracting new clients that contract for HMA services. Such bonuses are not available to all supervised persons and will only be provided if the supervised person is licensed as an HMA advisor representative. When a bonus is paid, it will not result in higher advisory fees charged to the client. Bonuses generally do not exceed 1% of the total amount of the client's investable assets managed by HMA or transferred to Hanson McClain Securities.

HMA may receive compensation for past client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. HMA no longer participates in the AdvisorDirect referral program but does continue to service and receive compensation for accounts opened while participating fully in AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, HMA 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 HMA 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 HMA and has no responsibility for HMA's management of client portfolios or HMA's other advice or services. HMA 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 HMA ("Solicitation Fee"). HMA will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by HMA 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 HMA on the recommendation of such referred client. HMA 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.

HMA's participation in AdvisorDirect raises potential conflicts of interest. In order to continue receiving referral fees from TD Ameritrade, the HMA client must maintain its account with TD Ameritrade. Therefore, HMA 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. HMA's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

HMA has entered into an agreement with LoanDepot.com to refer clients of HMA to LoanDepot.com for mortgage services. LoanDepot.com specializes in offering mortgage solutions for clients and their families. Product availability and coverage may vary by state. To the extent an HMA client or prospective client purchases mortgage services through LoanDepot.com, Hanson McClain will NOT receive any type of commission or referral fee. HMA clients also may receive a preferred interest rate as a result of a referral to LoanDepot.com. HMA and LoanDepot.com are under common control of Parthenon Capital Partners so while HMA may not receive any additional compensation from this relationship, Parthenon Capital Partners may benefit from such referrals. To help control for this conflict of interest, HMA clients are informed they are not required or obligated to utilize the services of LoanDepot.com and can work with any firm of their choice for mortgage services.

HMA and its affiliates expressly disclaim any responsibility or liability for any damage, loss or injury arising out of: a client's access or inability to access the LoanDepot.com website or their service center through other means of communication; a client's purchase or use of the products or services from LoanDepot.com; the products or services or the content displayed on the LoanDepot.com website; or the activities of any third party underwriter, manufacturer or distributor whose products or services may be advertised, offered or sold through LoanDepot.com. HMA and its affiliates do not guarantee any of the products or services advertised or offered for sale through LoanDepot.com. HMA and its affiliates have not endorsed any particular products sold through LoanDepot.com.

### **Other Compensation**

Please refer to Item 12 for a description of the economic benefits received from our custodial relationships.

HMA's advisor representatives sell securities products in their separate capacities as registered securities agents of Hanson McClain Securities. Therefore, Hanson McClain Securities may receive compensation in addition to financial planning fees and Program fees. Hanson McClain Securities receives a percentage of the fee charged by National Financial Services for money market positions held in Program accounts. Further, some of the financial planning advice offered by HMA's advisor representatives involves investments in mutual fund products. Such products may be recommended in connection with financial planning advice or through Program. Load and no-load mutual funds may pay annual distribution charges sometimes referred to as 12b-1 fees. Hanson McClain Securities may receive a portion of these 12b-1 fees from some investment companies.. Clients should be aware that these 12b-1 fees come from fund assets, and thus, indirectly from client's assets. The receipt of these fees could represent an incentive for the firm to recommend funds with 12b-1 fees or higher 12b-1 fees over funds with no fees or lower fees, therefore creating a potential conflict of interest. HMA's advisor representatives will only recommend mutual funds to clients if such mutual funds are suitable for such client and appropriate for the fulfillment of the client's objectives.

Certain product sponsors may provide HMA/Hanson McClain Securities and their representatives with other economic benefits as a result of sales activities directed to the sponsors, including but not limited to, financial assistance or the sponsorship of conferences and educational sessions, marketing support, incentive awards, payment of travel expenses, tools to assist HMA/Hanson McClain Securities in providing various services to clients such as reporting programs and portfolio analysis and direction of brokerage transactions to Hanson McClain Securities in its capacity as a broker-dealer.

Some of HMA's advisor representatives also sell insurance products in their separate capacities as independently licensed insurance agents. When doing so, they may offer variable annuity products to clients when deemed suitable. Complete information concerning variable annuity account charges and expenses will be disclosed in the variable annuity prospectus which will be provided to clients. Depending upon a client's specific situation, a variable annuity product may or may not include a surrender schedule. Any guarantees a specific variable annuity may offer are dependent on the claims-paying ability of the particular company that issued the policy. An investment in a variable annuity is subject to fluctuations in market value and possible loss of principal. All commissions received for insurance products are paid to Hanson McClain Securities in its capacity as an insurance agency.

As previously disclosed in this document, Hanson McClain engages in and is compensated for providing consultation services to certain financial and retirement planners. These consultation services, provided through the Hanson McClain Retirement Network, consist of providing various marketing strategies to financial and retirement planners in order to increase the planners' customer base.

### **Hanson McClain Retirement Network**

In addition to the fee arrangements described above, some individuals have joined the Hanson McClain Retirement Network (referred to as the “Network”) which is a client acquisition program for independent financial advisors designed and provided through our affiliate Hanson McClain Retirement Network, LP doing business as Hanson McClain Securities. The Network provides marketing support and training to members (referred to as “Partners”). Partners are not considered supervised persons or affiliates of Hanson McClain Securities and must be licensed as securities agents with a registered broker/dealer, licensed as investment advisor representatives with an investment advisor firm or dually licensed as both a securities agent and investment advisor representative.

Hanson McClain Retirement Network, LP trains Partners to help employees of companies such as those in the tele-communications and utility industries with retirement planning. Services provided by Hanson McClain Retirement Network, LP do not include investment advice directly to Partners or their clients. Hanson McClain does not meet with individual clients. Hanson McClain Retirement Network, LP’s marketing services focus on identification of key market areas and segments; marketing strategies to increase the Partner’s client base; and developing and promoting workshops. Workshops suggested by Hanson McClain Retirement Network, LP are general education in nature and focused on 401(k) and pension plans offered by the workshop attendees’ company. Workshop materials provided by Hanson McClain Retirement Network, LP to Partners do not include product sales or personalized investment advice. Partners specialize in both salaried and non-salaried employees’ retirement programs.

As consideration for the services provided by Hanson McClain Retirement Network, LP to its Partners, Partners must assign, as compensation, a percentage of all revenues earned from Partner’s clients attained as a result of the marketing training and services provided by Hanson McClain Retirement Network, LP. Revenue includes the Partner’s receipt of commissions earned from brokerage services and/or advisory fees earned from advisory services. Hanson McClain Retirement Network, LP may receive up to 30% of all revenue earned by the Partner. The compensation allocation continues throughout the term of the Joint Marketing Agreement, including renewal period(s), between Hanson McClain Retirement Network, LP and the Partner. The exact arrangements, including term and compensation, are detailed in the Joint Marketing Agreement between Hanson McClain Retirement Network, LP and the Partner.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

Hanson McClain Advisors is deemed to have custody over accounts managed through our Individual Managed Asset Program. For these accounts, HMA and Hanson McClain Securities have established the following procedures to ensure compliance with the SEC’s Custody Rule.

- All client funds and securities are held at custodians which serve as the qualified custodian in a separate account for each client under that client’s name.
- Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian’s name, address and the manner in which the funds or securities are maintained.

- Account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from HMA. When clients have questions about their account statements, they should contact HMA or the qualified custodian preparing the statement.

### Item 16 – Investment Discretion

Through its Individual Managed Asset Program and upon receiving written authorization from a client, HMA will maintain trading authorization over client accounts. Upon receiving written authorization from the client, HMA may implement trades on a **discretionary** basis (which shall be granted in the Individual Managed Asset Program client agreement). When discretionary authority is granted, HMA will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client's portfolio without obtaining the client's consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the same execution price as accounts managed on a discretionary basis.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

### Item 17 – Voting Client Securities

HMA does not vote proxies on behalf of its clients. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, HMA has determined that taking on the responsibility for voting client securities results does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is the responsibility of HMA clients to vote all proxies for securities held in accounts managed by HMA.

You will receive proxies directly from your custodian or transfer agent and such documents will not be delivered by or from HMA. While HMA does not vote client proxies, if you ever have a question about a particular proxy you can contact your Financial Advisor.

### **Legal Actions**

Clients retain the right under the applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for a client. HMA will not initiate such a legal proceeding on behalf of any of its clients and does not provide legal advice to clients regarding potential causes of action against such a security issuer and whether its clients should join a class-action lawsuit. HMA recommends clients seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit. HMA's services do not include monitoring or informing its clients of any potential or actual class-action lawsuits against the issuers of the securities that were held, purchased or sold by or for any of its clients. However, upon a client's specific instruction, HMA may provide factual information related to the individual client's investment history in the security underlying the individual or class-action lawsuit and provide assistance with the completion of a portion of certain class-action paperwork. At no time should such assistance by HMA be deemed as a substitute for consulting with legal counsel.

### **Item 18 – Financial Information**

This item is not applicable to this brochure. HMA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, HMA is not required to include a balance sheet for its most recent fiscal year. HMA is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, HMA has not been the subject of a bankruptcy petition at any time.

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