

# Form ADV Part 2A Disclosure Brochure

March 2019



*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Clarity Investments + Planning LLC. If you have any questions about the contents of this brochure, please contact Annette Clearwaters, President and Chief Compliance Officer at 212.730.7029 or [aclearwaters@clarityinv.com](mailto:aclearwaters@clarityinv.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment advisor does not imply any level of skill or training.

Additional information about Clarity Investments + Planning LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search this site using a unique identifying number, known as a CRD number, Clarity Investments + Planning, LLC's CRD Number is 148888.

## **Item 2. Material Changes**

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In this Item of Clarity Investments + Planning LLC's (Clarity or the Firm) Form ADV 2, the Firm is required to discuss any material changes that have been made to Form ADV since the last Annual Amendment, dated March 23, 2018.

### **Material Changes since the Last Update**

Since the last Annual Amendment filing, the Firm has no material changes to report.

### **Full Brochure Available**

Clarity's Form ADV may be requested at any time, without charge by contacting Annette Clearwaters, President and Chief Compliance Officer at 212.730.7029 or [aclearwaters@clarityinv.com](mailto:aclearwaters@clarityinv.com).

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## Item 4. Advisory Business

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Clarity Investments + Planning LLC (Clarity or the Firm) was founded in December 2008. Antonia Clearwaters (Annette) is the sole owner of Clarity. Clarity brings objective, high-quality financial advice (including investment management and financial planning) to a broad range of clientele, regardless of their existing wealth. As further discussed in response to Item 8, Clarity investment philosophy is based on principles of asset allocation, diversification, and minimizing expenses.

Prior to engaging Clarity to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with the firm setting forth the terms and conditions under which Clarity renders its services (collectively the “*Agreement*”).

This Disclosure Brochure describes the business of Clarity. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Clarity’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Clarity’s behalf and is subject to Clarity’s supervision or control.

### Financial Planning/Consulting Services

Clarity may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include retirement planning, cash flow projections, education savings, and debt management, but may also address additional areas tailored to the specific needs of clients.

In performing its services, Clarity is not required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Clarity may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Clarity recommends its own services. The client is under no obligation to act upon any of the recommendations made by Clarity under a financial planning engagement or to engage the services of any such recommended professional, including Clarity itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Clarity’s recommendations. Clients are advised that it remains their responsibility to promptly notify Clarity if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Clarity’s previous recommendations and/or services.

## **Investment Management Services**

Clients can engage Clarity to manage all or a portion of their assets on a discretionary basis. All ongoing investment management clients are offered one (1) hour of complementary financial planning each year.

Clarity primarily allocates clients' investment management assets among mutual funds, and to a lesser extent among exchange-traded funds ("ETFs"), Clarity also provides advice about any type of investment held in clients' portfolios.

Clarity tailors its advisory services to the individual needs of clients. Clarity consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs (which may include the development of a financial plan). Clarity ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Clarity if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Clarity's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Clarity's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## **Wrap Fee Program**

Clarity does not participate in a Wrap Fee Program.

## **Use of Independent Managers**

As mentioned above, Clarity recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("Independent Managers"), based upon the stated investment objectives of the client. The terms, compensation and conditions under which the client engages the Independent Managers are set forth in a separate written agreement between the client and the designated Independent Managers.

Clarity renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of Independent Managers. Clarity also monitors and reviews the account performance and the client's investment objectives.

When recommending or selecting an Independent Manager for a client, Clarity reviews information about the Independent Manager such as its disclosure statement and/or material supplied by the Independent Manager or independent third parties for a

description of the Independent Manager's investment strategies, past performance and risk results to the extent available. Factors that Clarity considers in selecting or recommending an Independent Manager include the client's stated investment objectives, management style, performance, reputation, reporting, pricing, and research. The investment management fees charged by the designated Independent Managers, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Clarity's investment advisory fee.

In addition to Clarity's written disclosure brochure, the client also receives the written disclosure brochure of the designated Independent Managers. Certain Independent Managers may impose more restrictive account requirements and varying billing practices than Clarity. In such instances, Clarity may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

### **Fiduciary Statement**

Clarity and its employees are fiduciaries who must take into consideration the best interests of the Firm's clients. Clarity will act with competence, dignity, integrity, and in an ethical manner, when dealing with clients. Clarity will use reasonable care and exercise independent professional judgement when conducting investment analysis, making investment recommendations, trading, promoting our services, and engaging in other professional activities.

As a fiduciary, Clarity has the obligation to deal fairly with our clients. Clarity has the following responsibilities when working with a client:

- To render impartial advice;
- To make appropriate recommendations based on the client's needs, financial circumstances and investment objectives;
- To exercise a high degree of care and diligence to ensure that information is presented in an accurate manner and not in a way to mislead;
- To have reasonable basis, information, and understanding of the facts in order to provide appropriate recommendations and representations;
- Disclose any material conflict of interest in writing; and
- Treat clients fairly and equitably.

### **Client Assets**

As of February 28, 2019, Clarity had \$79,134,430 of assets under management, all of which were managed on a discretionary basis.

## Item 5. Fees and Compensation

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### Financial Planning/Consulting Services

Clarity may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$400 to \$4,000 on a fixed fee basis and/or from \$200 to \$350 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering of the financial planning services. If the client engages Clarity for additional investment advisory services, Clarity may offset all or a portion of its fees for those services based upon the amount paid for the financial planning services.

Prior to engaging Clarity to provide financial planning or consulting services, the client is required to enter into a written agreement with Clarity setting forth the terms and conditions of the engagement. Generally, Clarity requires the entire financial planning fee payable upon entering the written agreement. The balance (if any) is generally due upon delivery of the financial plan or completion of the agreed upon services. Consulting services are typically charged on a retainer basis, quarterly in advance.

### Investment Management Fee

Clarity provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Clarity. Clarity's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Clarity does not, however, receive any portion of these commissions, fees, and costs.

Clarity's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Clarity on the last day of the previous quarter. The annual fee varies depending upon the market value of the assets under management.

PORTFOLIO VALUE	BASE FEE*
Up to \$500,000	1.00%
\$500,001 - \$1,000,000	0.80%
Above \$1,000,000	0.20%

\* Minimum Annual Fee - \$2,000

Clarity, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional

assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

### **Fees Charged by Financial Institutions**

As further discussed in response to Item 12 (below), Clarity generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("Fidelity") for investment management accounts.

Clarity may only implement its investment management recommendations after the client has arranged for and furnished Clarity with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, Fidelity, any other broker-dealer recommended by Clarity, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "Financial Institutions").

Clients may incur certain charges imposed by the Financial Institutions and other third parties such as Independent Managers, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Clarity's fee.

Clarity's Agreement and the separate agreement with any Financial Institutions may authorize Clarity or the Independent Manager to debit the client's account for the amount of Clarity's fee and to directly remit that management fee to Clarity or the Independent Manager. Any Financial Institutions recommended by Clarity have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Clarity. Alternatively, clients may elect to have Clarity send an invoice for payment.

### **Fees for Management During Partial Quarters of Service**

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Clarity and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Clarity's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.



Clients may make additions to and withdrawals from their account at any time, subject to Clarity's right to terminate an account. Additions may be in cash or securities provided that Clarity reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Clarity, subject to the usual and customary securities settlement procedures. However, Clarity designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Clarity may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter that exceed \$50,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

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Clarity does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

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Clarity provides its services to individuals, high net worth individuals, and pension and profit-sharing plans.

### **Minimum Fee**

As a condition for starting and maintaining a relationship, Clarity generally imposes a minimum annual fee of \$2,000. This minimum fee may have the effect of making Clarity's service impractical for clients, particularly those with portfolios less than \$200,000 under Clarity's management. Clarity, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities.

Additionally, certain Independent Managers may impose more restrictive account requirements and varying billing practices than Clarity. In such instances, Clarity may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

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

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### **Methods of Analysis**

Clarity applies a largely academic approach to portfolio management, meaning that its investment principles are founded in academic, fundamental-based research rather than short-term trends and market-related hype. Studying the returns, volatility and correlations of asset classes is one-way Clarity's portfolios are comprised. Reviewing the composition, tax effects, costs and operations of the potential investment vehicles is also part of this process. This is done using professional and public databases, attending industry conferences, reading journals and interacting with other investment professionals.

### **Investment Strategies**

Clarity's investment strategy is premised around the development of a portfolio that is both designed to achieve a client's desired rate of return and sensitive to a client's individual risk tolerance.

It is Clarity's view that the overwhelming determinant of success of an investment strategy tends to be less related to the securities that are bought and sold, and more akin to how capital is allocated among various asset classes. Clarity does not advocate market timing or tactical asset allocation and attempts to avoid investment decisions based on short-term market changes.

As such, the firm employs a range of model portfolio composites containing a mix of asset classes. In most cases, the Clarity utilizes mutual funds to effectuate its strategy, but may also do so through the use of ETFs. In certain cases, where a client has a substantial portion of assets invested in fixed income securities, Clarity may employ the services of an Independent Manager to manage a portion of the bond portfolio. For equity allocations, the firm primarily invests in vehicles that employ passive management strategies, while fixed income allocations are generally specific to a narrow range of maturity terms and credit quality.

Clarity also strives to account for its clients' individual tax implications, based on information provided by the client, and endeavors to rebalance portfolios at least annually or otherwise as it sees fit.

### **Risks of Loss**

#### *Mutual Funds*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual

fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. As such, a fund investor may incur substantial tax liabilities even when the fund underperforms. Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Market Risks*

The profitability of a significant portion of Clarity's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Clarity will be able to predict those price movements accurately.

#### *Management through Similarly Managed Accounts*

Clarity manages portfolios by allocating portfolio assets among various mutual funds on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "investment strategy"). In so doing, Clarity buys, sells, exchanges and/or transfers shares of mutual funds based upon the investment strategy. Clarity's management using the investment strategy complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company.

Securities in the investment strategy are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to Clarity's clients may be limited. For example, various mutual funds may limit the ability of Clarity to buy, sell, exchange or transfer securities consistent with its investment strategy. As further discussed in response to Item 12B (below), Clarity allocates investment opportunities among its clients on a fair and equitable basis.

*General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

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Clarity is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Clarity does not have any required disclosures to this Item.

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

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Clarity is not registered as a broker-dealer, and none of its management persons are registered representatives of a broker-dealer.

Clarity is not registered and does not have an application pending as a securities broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor.

### **Subadvisory Relationship**

Clarity may act as a subadvisor for the management of client assets for Newman Financial Planning ("Newman"), an unaffiliated investment adviser. Through this relationship, Newman may delegate a portion of its clients' assets to Clarity for investment management services. There is no difference with how Clarity manages assets for clients of Newman and its own investment management clients. As such, Clarity does not believe this poses any conflict of interest for its clients.

### **Use of Independent Managers**

Clarity may recommend the use of Independent Managers for certain clients. Clarity will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the Independent Managers ability to successfully implement their investment strategy. In addition, Clarity does not have the ability to supervise the Independent Managers on a day-to-day basis, if at all.



## Item 11. Code of Ethics

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Clarity and persons associated with Clarity (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with Clarity’s policies and procedures.

Clarity has adopted a Code of Ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Clarity or any of its associated persons. The *Code of Ethics* also requires that certain of Clarity’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Clarity’s *Code of Ethics*, none of Clarity’s *Access Persons* may affect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Clarity’s clients.

When Clarity is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may affect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Clarity is selling or considering the sale of any security on behalf of a client, no *Access Person* may affect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Neither Clarity nor its employees do not recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest.

It is Clarity’s policy that the Firm will not affect any principal or agency cross securities transactions for client accounts. Clarity will also not cross trades between client accounts.

Clients and prospective clients may contact Clarity to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

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### Research and Other Soft Dollar Benefits

Clarity does not receive formal soft dollar benefits other than execution from broker/dealers in connection with client securities transactions.

### Brokerage for Client Referrals

Clarity does not receive client referrals from broker/dealers.

### Directed Brokerage

As discussed above, in Item 5, Clarity generally recommends that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which Clarity considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables Clarity to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Clarity's clients comply with Clarity's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to affect the same transaction where Clarity determines that the commissions are 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 *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Clarity seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Clarity periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Clarity in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Clarity will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Clarity (as described below). As a result, the client may pay higher

commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Clarity may decline a client's request to direct brokerage if, in Clarity's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Clarity decides to purchase or sell the same securities for several clients at approximately the same time. Clarity may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Clarity's client's differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Clarity's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Clarity determines to aggregate client orders for the purchase or sale of securities, including securities in which Clarity's *Supervised Persons* may invest, Clarity generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Clarity does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Clarity determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Clarity may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which

assist Clarity in its investment decision-making process. Such research generally will be used to service all of Clarity's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Clarity does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

Clarity may receive from *Fidelity*, without cost to Clarity, computer software and related systems support, which allow Clarity to better monitor client accounts maintained at *Fidelity*. Clarity may receive the software and related support without cost because Clarity renders investment management services to clients that maintain assets at *Fidelity*. The software and support are not provided in connection with securities transactions of clients (i.e. not "soft dollars"). The software and related systems support may benefit Clarity, but not its clients directly. In fulfilling its duties to its clients, Clarity endeavors at all times to put the interests of its clients first. Clients should be aware; however, that Clarity's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Clarity's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, Clarity may receive the following benefits from Fidelity through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Trade Aggregation**

Clarity may aggregate trades for multiple accounts on a limited basis. Orders for the same security entered on behalf of more than one client may be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. If the order is filled at different prices during the day, the prices are averaged for the day so that all participating accounts receive the same price. If an order has not been filled completely so that there are not enough shares to allocate among all the clients equally, shares will be allocated in good faith, based on the following considerations: amount of cash in the account, existing asset allocation and industry exposure, risk profile, and type of security. If a partial execution is attained at the end of the trading day, Clarity will generally allocate shares on a pro rata basis but may fill small orders entirely before applying the pro rata allocation. All clients participating in each aggregated order

shall receive the average price and subject to minimum ticket charges, pay a pro-rata portion of commissions.

Clarity's allocation procedure seeks to be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients.

Accounts for Clarity or its employees will not be included in a block trade with client accounts.

## **Item 13. Review of Accounts**

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For those clients to whom Clarity provides investment management services, Clarity monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Clarity provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are primarily conducted by Annette Clearwaters, President and Chief Compliance Officer. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Clarity and to keep Clarity informed of any changes thereto. Clarity contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Clarity provides investment advisory services will also receive a report from Clarity that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Clarity.

Those clients to whom Clarity provides financial planning and/or consulting services will receive reports from Clarity summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Clarity.

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

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Clarity is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services.

Clarity may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

In addition, Clarity is required to disclose any direct or indirect compensation that it provides for client referrals. Clarity does not provide compensation for client referrals.



## Item 15. Custody

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### **Custody –Fees Debiting**

Clarity's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Clarity through such *Financial Institution* to debit the client's account for the amount of Clarity's fee and to directly remit that management fee to Clarity in accordance with applicable custody rules.

The *Financial Institutions* recommended by Clarity have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Clarity. In addition, as discussed in Item 13, Clarity also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Clarity.

### **Custody – First Party Money Transfers**

Clients may provide Clarity with written ongoing authorization to wire money between the client's accounts held with the qualified custodian directly to an outside financial institution (i.e. a client's bank account). A copy of this authorization is provided to the qualified custodian. The authorization includes the client's name and account number(s) at the outside financial institution(s) as required.

### **Custody – Third Party Money Transfers**

Clients may provide Clarity with a standing letter of authorization (or similar asset transfer authorization) which allows Clarity to disburse funds on behalf of clients to third parties. Clarity ensures the following conditions are in place when deemed to have custody via third party money movement:

1. The client provides a Written Authorization to the custodian that includes all appropriate information as to how the transfer should be directed;
2. The Written Authorization includes instruction to direct transfers to the third party either on a specified schedule or from time to time;
3. Appropriate verification is performed by the custodian, along with a transfer of funds notice to the client promptly after each transfer;
4. The client may terminate or change the instruction to the custodian;
5. Clarity has no authority or ability to designate or change any information about the third party contained in the instruction;

6. Clarity maintains records showing that the third party is not a related party of the Firm or located at the same address as Clarity; and
7. The custodian sends the client a written initial notice confirming the instruction and an annual written confirmation thereafter.

## Item 16. Investment Discretion

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Clarity is given the authority to exercise discretion on behalf of clients. Clarity is considered to exercise investment discretion over a client's account if it can affect transactions for the client without first having to seek the client's consent. Clarity is given this authority through a power-of-attorney included in the agreement between Clarity and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Clarity takes discretion over the following activities:

- ☐ The securities to be purchased or sold;
- ☐ The amount of securities to be purchased or sold; and
- ☐ When transactions are made.

## Item 17. Voting Client Securities

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Clarity is required to disclose if it accepts authority to vote client securities. Clarity does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

Clients may contact Annette Clearwaters, President and Chief Compliance Officer, at 212.730.7029 for information about proxy voting.

## **Item 18. Financial Information**

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Clarity does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Clarity is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Clarity has no disclosures pursuant to this Item.