



Lighthouse

FINANCIAL MANAGEMENT, LLC

Sensible Planning for Life®

Brochure

Form ADV Part 2

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Westerly, RI 02891

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www.lighthousefm.com

Item 1 Cover Page

This Brochure provides information about the qualifications and business practices of Lighthouse Financial Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 401-596-3392. 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.

Lighthouse Financial Management, LLC is a registered investment adviser. Registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Lighthouse Financial Management, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

The material changes in this brochure from the last annual updating amendment of Lighthouse Financial Management, LLC on March 13, 2023, are described below. Material changes relate to Lighthouse Financial Management, LLC's policies, practices, or conflicts of interest.

- Lighthouse Management, LLC has removed TD Ameritrade as a custodian due to its merger with Charles Schwab & Co., Inc. (Items 12 and 15)

The investor can request this Brochure by contacting Maureen J. Poplaski, the Adviser's Chief Compliance Officer, at 401-596-3392 or through our website www.lighthousefm.com. Additional information about Lighthouse Financial Management, LLC, is available via the SEC's website at www.advisinfo.sec.gov.

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Item 4 Advisory Business

Introduction

Lighthouse Financial Management, LLC ("Lighthouse") is an independent, "fee-only" advisory firm located in Westerly, Rhode Island, that guides individuals and families in the building, preserving, and transferring of wealth. Our mission is to assist clients in making informed decisions regarding all aspects of their financial life. Established in 2004, our firm provides personalized financial planning services for individuals, families, trusts, and small businesses.

Our core services include the following:

1. *Investment Management:* Lighthouse develops a customized investment strategy that matches each client's willingness, need, and ability to accept market risk. We use an initial questionnaire, discussions, and an interactive program based on behavioral research to determine the client's desire to take on market risk. Then, we provide ongoing management to keep the portfolio consistent with the risk profile by rebalancing the securities that deviate from the target weighting. In addition, we adjust the portfolios' allocation as the client's goals, cash needs, and individual tax circumstances change. Lighthouse will also consider modifications to the portfolio to take advantage of and respond to risks associated with the market and economic conditions.
2. *Income Tax Planning:* Lighthouse provides tax planning services designed to help our clients manage their tax liability and implement tax savings opportunities.
3. *Income Tax Preparation:* Lighthouse's affiliate firm, Stephen C. Poplaski, PhD, CPA, CFP®, prepares individual income tax returns at no additional charge for clients who meet asset minimums.
4. *Retirement Planning:* We help our clients determine the savings needed to provide financial independence and adequate resources for their retirement. After retirement, we use tax-wise strategies for income distribution while monitoring and managing portfolio risk throughout the distribution period.
5. *Risk Management and Insurance:* We evaluate current insurance policies for the adequacy of income and wealth replacement, current and long-term medical care, and liability claims.

Depending on client needs, Lighthouse also assists with the following:

1. *Cash Management and Budgeting:* The financial planning process often helps clients formulate and implement a spending plan consistent with their needs and available resources. We can assist our clients in establishing a reasonable budget and identifying trouble spots in spending patterns.
2. *Estate Planning:* Lighthouse helps clients find an attorney if they wish to have their current wills updated or need to put new plans in place. Once the plan is in place, we assist clients in implementing the attorney's instructions. As we are not attorneys, we do not draft legal documents.
3. *Employee Benefits and Stock Options:* Many clients need assistance choosing employer-sponsored benefit plans consistent with their overall financial plan. We help manage the taxes associated with employers' various stock options, i.e., restricted stock units, incentive stock options, non-qualified stock options, employee stock purchase plans, and employee stock ownership plans.
4. *Funding Education Costs:* We advise our clients on how to use tax-wise strategies to provide college funding for children or grandchildren, along with choosing other sources for funding college expenses.

The Planning Process

The planning process begins with a comprehensive interview where the advisor and client discuss immediate needs and establish a financial direction. Along with the interview, each client completes a Goals Clarification Worksheet to define other specific areas of concern and a Risk Profile Questionnaire that provides an initial insight into their financial attitudes, values, and motivations. In addition, the client is responsible for providing the advisor with quantitative data such as account statements, past income tax returns, net worth details, spending history, insurance policies, and existing wills and trusts.

Once the advisor understands the client's personal and financial circumstances, an Investment Policy Statement is developed in conjunction with a financial plan that addresses the client's specific goals and objectives. The Investment Policy Statement will outline how the advisor will manage the client's portfolio, set a target allocation, describe ongoing management and rebalancing procedures, and list any restrictions the client wishes to place on the portfolio. The advisor will have discretion over the amount and specific securities purchased in the portfolio, relying on the Investment Policy Statement for guidance and will be responsible for the quarterly monitoring of the portfolio.

The advisor will also work with the client on an ongoing basis to develop a financial plan containing the client's net worth, cash flow projections and specific goals. The client should keep in mind that the advisor relies on the client to provide accurate and complete information to make the projections in the financial plan. The financial plan analysis also depends on the advisor's assumptions, such as inflation and investment rates of return. As a result, there will be differences between the projected and actual results because specific events and circumstances do not occur as expected.

It remains the client's responsibility to promptly notify the advisor if there is ever any change in their financial situation or investment objectives. The advisor and client will then update and adjust plan recommendations or investment policy as appropriate.

Financial Software - eMoney

Lighthouse utilizes eMoney Advisors, a web-based financial and wealth planning system. In addition, the financial software provides a separate client website that allows for:

- Vault storage for client documents such as tax returns, wills, insurance policies, etc.
- Financial Connections (allowing aggregation of multiple accounts with daily updating of linked accounts); and
- Income and Spending Summaries

You will be provided with a unique username and password and can monitor your portfolio performance, track spending, and store/view important papers and documents.

Written Acknowledgement of Fiduciary Status

When we provide investment advice to you regarding your retirement plan or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable are laws governing retirement accounts. However, the way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interests ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;

- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

Business Model

Our firm provides services to approximately 116 families and employer-sponsored retirement plans. We have \$171,074,527 under management as of December 31, 2023.

As a "fee-only" advisory firm, we do not receive commissions from clients or third parties for investment or product recommendations. We do not receive a fee or other compensation based on a client referral to our business. We do not participate in wrap-fee programs that combine fees for services with commissions.

Item 5 Fees and Compensation

Lighthouse charges an annual fee based on a percentage of client assets under management starting the date the investment advisory agreement is signed. After that, the fees are charged quarterly and paid in arrears based on the account value at the end of each quarter. All clients receive an invoice detailing their fee calculation.

<u>Account Value</u>	<u>Annual Fee</u>
On the first \$500,000	1.00%
On the next \$500,000	.50%
On the next \$1,000,000 to \$5,000,000	.40%
On amounts over \$5,000,000	.25%

Clients can choose to have their fees deducted from their investment accounts or pay their fees directly to Lighthouse. If a client ends the engagement, fees are based on the account values on the termination date and are due when the client terminates the agreement.

Grandfathering of Advisory Fee

Long-standing advisory clients of Lighthouse Financial Management are subject to advisory fees that were in effect when the clients entered into the advisory relationship and are allowed to remain at that rate.

Family Accounts

Fees for our advisory services can be reduced or waived, at our sole discretion, for family members of existing clients.

Flat Fees

On rare occasions, Clients may pay a flat fee under the following circumstances:

- Clients who agree to have their fees deducted from their investment accounts but for an interim period do not have an account that allows for advisor fee billing.
- Clients whose assets are less than Lighthouse's required minimum account balance but wish to have financial planning, tax planning and preparation, or financial advice.

Custodian and Mutual Fund Disclosures

No additional fees are paid to the custodian to hold assets. However, clients will pay transaction costs when securities are bought or sold. Although we recommend no-load mutual funds or exchange-traded funds, all funds have built-in expenses described in each fund's prospectus. These fees will include a management fee and other fund expenses. These fees are in addition to the management fee charged by the advisor. No one employed or associated with Lighthouse receives any form of compensation for selling securities or other investment products.

Item 12 further describes the factors the firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Financial Software

There is no additional fee to clients for utilizing the eMoney Advisors software.

Item 6 Performance

Lighthouse does not charge performance fees based on a share of capital gains or capital appreciation of client assets.

Item 7 Types of Clients

Lighthouse provides services for individuals, families, small businesses, and employer-sponsored retirement plans. Lighthouse requires advisory clients to maintain a minimum account size of \$500,000. For all investment advisory accounts over \$500,000, Lighthouse's affiliated accounting firm, Stephen C. Poplaski, PhD, CPA, CFP®, will provide individual income tax preparation at no additional charge. This minimum can be waived in certain circumstances.

Item 8 Investment Strategies, Methods of Analysis, and Risk of Loss

Investing in securities involves the risk of loss that clients should be prepared to bear. Lighthouse uses an extensive process to determine the appropriate level of risk for each client (see Item 4 – Planning Process)

Investment Strategies

Based on empirical evidence and research, portfolios are managed using mutual funds or exchange-traded funds. Financial research identifies the sources of investment returns, and we believe in using funds that target these sources to help our clients achieve their goals. Traditionally, fund managers either focus on selecting individual securities to beat the market or track an index. Instead, we use fund managers who focus on achieving a broadly diversified exposure to the dimensions of higher returns using a low-cost, efficient strategy.

As recognized in the 1990 Nobel Prize in Economics award, Modern Portfolio Theory will be the philosophical foundation for structuring the portfolio and making subsequent decisions. The underlying concepts of Modern Portfolio Theory include the following:

- Investors are risk-averse. The only acceptable risk is that which is adequately compensated by potential portfolio returns
- Markets are efficient. It is virtually impossible to anticipate the market's future direction as a whole or any individual security. It is, therefore, unlikely that any portfolio will succeed in consistently "beating the market."

- The portfolio's design is more important than the selection of any particular security within the portfolio. The appropriate allocation of capital among asset classes (stocks, bonds, cash, etc.) will have far more influence on long-term portfolio results than the selection of individual securities. Investing for the long term (preferably longer than ten years) becomes critical to investment success because it allows the asset classes' characteristics to surface.
- For a given risk level, an optimal combination of asset classes will maximize returns. Diversification helps reduce investment volatility. The proportional mix of asset classes determines the portfolio's long-term risk and return characteristics as a whole.
- Portfolio risk can be decreased by increasing portfolio diversification and lowering the correlation of market behavior among the selected asset classes. (Correlation is the statistical term for the extent to which two asset classes move in tandem or in opposition to one another.)
- Global investments help minimize overall portfolio risk due to the imperfect correlation between world economies. In addition, investing in the global market has historically been shown to enhance portfolio returns, although there is no guarantee that it will do so in the future.
- Equities offer the potential for higher long-term investment returns than cash or fixed-income investments. However, equities are also more volatile than bonds in their performance. Therefore, investors seeking higher rates of return must increase the proportion of equities in their portfolio while at the same time accepting a greater variation of results (including occasional declines in value).
- Investment approaches that pick individual securities or time the purchase or sale of investments in an attempt to "beat the market" are highly unlikely to increase long-term investment returns. These approaches are costly and ineffective. Predictions are often wrong, and managers end up holding the wrong securities and, at the wrong time, missing the returns the market can provide.

The underlying approach to managing client portfolios is to optimize the risk-return relationship appropriate to investors' needs and goals. The policy will be to diversify globally, employing a variety of asset classes. Mutual funds or managed portfolios will be used to implement the portfolio, and the chosen asset classes will be periodically rebalanced to maintain consistency with the client's risk/reward profile.

Methods of Analysis

We choose investments for our client's portfolios based on the following criteria:

- Past performance is considered relative to other investments having the same investment objective. Consideration shall be given to performance rankings over various time frames and consistency of performance.
- Costs relative to other funds with like objectives and investment styles.
- The manager's adherence to investment style and size objectives.
- The size of the proposed fund.
- The length of time the fund/manager has been in existence, the length of time it has been under the current manager's direction (s), and whether or not there have been material changes in the manager's organization and personnel.
- The historical volatility and downside risk of each proposed investment.
- How well each proposed investment complements other assets in the portfolio.
- The current economic environment.
- The likelihood of future investment success relative to other opportunities.
- Potential for income tax costs relative to other funds with like objectives and investment styles.

Risk of Loss

Lighthouse works with each client to identify their unique willingness, need, and ability to accept the risks of investing in the market. There is no guarantee of reaching a specific investment result or achieving a particular planning goal.

Other risks include, but are not limited to:

Lack of Liquidity: Lighthouse monitors the liquidity of client assets in making decisions regarding investments. However, certain investments will have to be held for a substantial period of time before they can be liquidated to the portfolio's greatest advantage.

Interest Rate Risk: Prices of bonds and mutual funds that hold bonds tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect bond prices.

Inflation Risk: This risk, also known as purchasing power risk, is that the ability to buy different quantities of goods and services depends on the changing prices in the economy. For example, if a client wishes to use funds from investments to make a specified purchase at a future date, the cost of the item could increase. The inflation in the item's price erodes the purchasing power of the invested sum. Lighthouse's investment strategy includes funds that invest in bond funds where the underlying securities are subject to inflation risk.

Management and Strategy Risk: The ability of a portfolio to meet its investment objective is directly related to Lighthouse's portfolio investment strategies. The investment process used by Lighthouse could fail to achieve client investment objectives and cause investments to lose value.

Market Sector, Market, and Economic Risks: Lighthouse's investment strategy could result in significantly over or under-exposure to particular industries or market sectors, which could cause a portfolio's performance to be more or less sensitive to developments affecting those industries or sectors. Investments in client portfolios would also be subject to loss based on general economic and market conditions, including inflation and recessions, among other things.

Foreign Investment Risk: Also, to the extent that Lighthouse invests in foreign securities or mutual funds holding foreign securities, there are risks specific to foreign investment, such as costs resulting from currency exchange transactions and political, social, and economic factors affecting investments in such markets. Unique risks associated with foreign markets' investments include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political instability, and differing auditing and legal standards. Emerging markets tend to be more volatile than those of more mature economies and have less diverse and less mature economic structures and less stable political systems than developed countries.

Item 9 Disciplinary Information

Security and Exchange Commission (SEC) registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of an investment advisor or the integrity of the advisor's management team. Accordingly, Lighthouse has no legal or disciplinary events 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

Stephen C Poplaski is the Managing Member of Lighthouse Financial Management, LLC and is the sole proprietor of Stephen C. Poplaski, PhD, CPA, CFP®, a firm that provides accounting, consulting, and tax preparation services for individuals and business entities. The firm prepares the tax returns for Lighthouse

clients as part of the management fee (See Section 2). Stephen C. Poplaski, PhD, CPA, CFP® no longer accepts new clients outside of Lighthouse; however, it has clients who are grandfathered in and are separate and distinct from Lighthouse. This affiliation through ownership creates a financial incentive for Lighthouse to refer clients to the accounting firm if they do not have account minimums that would include tax preparation services. The financial incentive to make successful referrals would create a conflict of interest between the potential clients and Lighthouse. No referral fees are paid or received for the introduction of Lighthouse clients to Stephen C. Poplaski, PhD, CPA, CFP® and vice versa.

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

Code of Ethics

Lighthouse has adopted a Code of Ethics under Rule 204A-1 under the Investment Advisers Act of 1940. Lighthouse's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients. It sets forth Lighthouse's practice of overseeing supervised persons' personal securities transactions with access to client information. The expressed policy of Lighthouse is that no person employed by Lighthouse shall prefer their own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients. Lighthouse will provide a complete copy of its Code of Ethics to any client upon request. To request this document, clients should contact the Chief Compliance Officer, Maureen J. Poplaski, at Lighthouse's principal address or by phone at (401) 596-3392.

Participation or Interest in Client Transactions

Lighthouse recommends mutual funds or exchange-traded funds to clients and does not have a material interest in any securities recommended to clients.

Privacy

Lighthouse requires that all individuals act according to applicable Federal and State regulations governing registered investment advisory practices. Lighthouse's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. This information includes but is not limited to any information identifying a person as a client of Lighthouse. Any individual not observably protecting client information's privacy is subject to disciplinary measures. A copy of Lighthouse's Privacy statement is sent to every prospective client and every client annually.

Item 12 Brokerage Practices

Selecting a Broker-Dealer

In selecting a broker-dealer, Lighthouse looks at several factors: client service, transaction fees, custodial fees, quality of execution, record keeping, and reporting capabilities. Lighthouse will attempt to minimize the total cost for all brokerage services the client pays. If the total expenses at the selected broker-dealer are higher than can be obtained at another broker-dealer, Lighthouse will determine whether the costs are reasonable due to the quality of service. Lighthouse periodically reviews and evaluates the cost versus benefits of various broker-dealers and will recommend a change if deemed beneficial to our clients. Lighthouse will not select a broker-dealer that refers clients in exchange for a recommendation.

Directed Brokerage

Lighthouse currently participates in the Schwab Advisor Services program. Lighthouse requests that clients direct us to execute transactions through Schwab, as Lighthouse does not have discretionary authority to determine the broker-dealer to be used. If a client is unable or does not wish to transfer an account to Schwab, Lighthouse will coordinate services with the client's custodian. The client should understand that the advisor will not achieve the most favorable execution of client transactions if they direct the brokerage to a custodian other than Schwab.

Research and Other Soft Dollar Benefits

Lighthouse receives benefits from Schwab, free to all Schwab clients. These benefits include a service team and manager to assist the advisor with opening accounts, transferring assets, and trading. Schwab also provides an electronic download of trades, account balances, positions, and the ability to deduct advisory fees from client accounts.

Lighthouse can access market research and data through the Schwab website, practice management guides, and software applications, such as rebalancing software and document signing capabilities.

Item 13 Review of Accounts

All accounts are reviewed quarterly for overall adherence to the investment policy agreed upon with the client. In addition, Lighthouse provides quarterly investment reports that contain current investment holdings, transaction summaries, and market values. Clients can choose to have their reports delivered by mail or electronically.

Item 14 Client Referrals and Other Compensation

Lighthouse does not currently engage in solicitation activities as defined by Rule 206(4) -3 of the Investment Advisers Act of 1940 or similar state statutes. Under this rule, the solicitor would be obligated to provide the potential client with a disclosure document that reveals, among other things, the name of the solicitor, the relationship between the advisor and the solicitor, and the terms of the compensation. In addition, Lighthouse would be obligated to obtain a written acknowledgment from the client that they received the solicitor's written disclosure. It would be necessary for Lighthouse to comply with this rule if the firm paid a direct or indirect fee for client referrals.

Stephen C. Poplaski and Maureen J. Poplaski are members of the National Association of Financial Planners, NAPFA, and are listed on their website's search engine. Lighthouse does not pay an additional fee beyond the fee required for membership to be listed on this site.

Item 15 Custody

Our firm currently uses the custodial services provided by Schwab, unaffiliated, qualified custodian. Schwab send monthly statements and transaction confirmations directly to the client. We encourage clients to compare their Schwab statements with Lighthouse's quarterly investment reports.

The Securities and Exchange Commission deems that an advisor has custody, among other things, if they have the authority to withdraw funds or securities from a client's account. Therefore, with the client's signed permission, Lighthouse can deduct their fees directly from the client's account at Schwab. Lighthouse employs measures to ensure that the fee calculation and deduction are accurate and sends clients quarterly billing statements that show fee calculations.

Lighthouse assists clients with the management of their accounts outside of Schwab. With written permission from the client, Lighthouse will obtain access to the third-party account. Lighthouse uses this access to select appropriate securities for the client's investment portfolio and monitor these securities' performance. Lighthouse can also enact a fund-to-fund transfer within the account when rebalancing the client's overall portfolio. Lighthouse does not have the authority to change the client's address or contact information, nor can we direct any funds to be transferred outside the account.

Item 16 Investment Discretion

Lighthouse requests that clients provide us with written authority to buy and sell securities on their behalf. This investment discretion includes determining which securities should be bought or sold, the amount of each security, and when the sale or purchase of securities should occur.

The client can place limitations on this investment authority. Any restriction of this authority is contained in the client's Investment Policy Statement. Clients can change or amend these limitations at any time by submitting their requests in writing.

Item 17 Voting Client Securities

Lighthouse does not accept the authority to vote proxies on behalf of its clients. The client or the fund manager is responsible for voting on client securities. However, Lighthouse can assist the client with the voting process by providing information when requested.

Item 18 Financial Information

Security and Exchange Commission (SEC) registered investment advisers are required in this Item to provide clients with financial information or disclosures about the adviser's financial condition. Lighthouse has no financial commitment or condition that impairs its ability to meet contractual and fiduciary commitments to its clients and has not been the subject of a bankruptcy proceeding.