



HENDERSON  
FINANCIAL GROUP

## **Firm Brochure**

### **Form ADV Part 2A**

Dated: October 25, 2024

### **Henderson Financial Group LLC**

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[www.hendersonfg.com](http://www.hendersonfg.com)

#### **Item 1 Cover Page**

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This Brochure provides information about the qualifications and business practices of Henderson Financial Group LLC. If you have any questions about the contents of this brochure, please contact us at (757) 314-4638. 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.

Henderson Financial Group LLC is registered as an investment adviser and is regulated by the US SEC. Registration does not imply a certain level of skill or training; however, registered investment advisors and their individual advisor representatives are held to a higher fiduciary standard.

Additional information about Henderson Financial Group LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), which can be found using the firm's identification number, 333013.

## Item 2 Material Changes

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There is nothing to report at this time, as this is Henderson Financial Group LLC's initial ADV filing.

In the future, any material changes made during the year or since the last annual update will be reported here.

### Item 3 Table of Contents

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Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	7
Item 6	Performance-Based Fees and Side-By-Side Management	11
Item 7	Types of Clients	12
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	12
Item 9	Disciplinary Information	15
Item 10	Other Financial Industry Activities and Affiliations	15
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	16
Item 12	Brokerage Practices	17
Item 13	Review of Accounts	19
Item 14	Client Referrals and Other Compensation	19
Item 15	Custody	20
Item 16	Investment Discretion	20
Item 17	Voting Client Securities	21
Item 18	Financial Information	21

## Item 4 Advisory Business

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Henderson Financial Group LLC (HFG) is a Limited Liability Company formed under the laws of the Commonwealth of Virginia in March 2017. HFG filed for investment advisor registration with the United States Securities and Exchange Commission (SEC) in October 2024 to become an independently registered investment advisor. Ray Henderson is the principal owner and Chief Compliance Officer. As of 10/3/2024, HFG has \$ 71,635,348 in discretionary and \$33,900,453 in non-discretionary assets under management.

HFG offers the following Advisory Services, that are described below in more detail:

- A. Wealth Management
- B. Project-based Financial Planning
- C. Stand-alone Investment Management
- D. Retirement Plan Consulting
- E. Educational Seminars or Speaking Engagements

### **Types of Investment and Advisory Services**

HFG offers fee-only, wealth management (which includes both investment management and financial planning), stand-alone financial planning, stand-alone investment management, and educational seminars/speaking engagements. Registration means only that HFG has met the minimum requirements for registration as an investment advisor and does not apply a certain level of skill or training or that the SEC or any other regulator guarantees the quality of our services or recommends them.

HFG sometimes recommends third-party professionals such as attorneys, accountants, tax advisors, insurance brokers, or other financial professionals. Clients have the right to decide whether or not to purchase services from third-party professionals and are not obligated to engage any third-parties HFG recommends.

HFG also has advisory representatives with strong backgrounds as insurance agents. Because of this, HFG offers insurance products as part of its business. Insurance products may be offered within any of the advisory services described below. If at all possible, HFG uses fee-only insurance products, unless one does not exist to meet the existing need of a Client. When a fee-only insurance product is not available and a Client chooses to purchase the alternative, the Client will pay fees and/or commissions for those purchased insurance products. Clients have the right to decide whether or not to purchase insurance products through HFG and which insurance professionals to use. Upon review of a Client's financial status, HFG may propose that a Client include, as part of his or her financial portfolio, one or more types of products that are not part of the investment advisory services provided directly by HFG, such as insurance products. If the Client chooses to include such a product in their financial portfolio, HFG recommends that the Client work closely with his or her attorney, accountant, insurance agent and other related professionals. Incorporation of the non-advisory financial product into the Client's financial plan is entirely at the client's discretion.

### **Wealth Management Services**

Wealth Management services include both investment management and financial planning. HFG provides portfolio management and financial advice to its wealth management Clients based on the individual needs of the Client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a

client's prior investment history, as well as family composition and background. Asset accounts are primarily managed on a discretionary basis; however, occasionally advisory accounts are advised on a non-discretionary basis. This authority is granted to HFG by Client via a limited power of attorney to buy and sell within their accounts.

HFG does not limit the types of investments it employs; however, it primarily uses and suggests stocks, bonds, mutual funds, ETFs, U.S. government and municipal securities, variable annuities, insurance products, and cash and cash equivalents in Client portfolios. Other investment types may be employed at Client's request, if agreed upon by both HFG and Client. Clients can impose reasonable restrictions on the management of your account, including instructing us not to purchase certain specific securities, industry sectors, and/or asset classes. We will notify you if we are ever unable to honor any of your investment restrictions for any reason.

As part of its wealth management service, HFG Advisers will assess Client's financial status, review individual goals and objectives and examine Client's financial and life needs across various financial planning topics, such as, but not limited to: cash flow and debt management, retirement planning, insurance needs and planning, risk management, tax planning, benefits planning, education planning, real estate planning, business planning, and estate planning. Within your financial plan, the role of your adviser is to find ways to help you understand your overall financial situation and help you set financial objectives.

Financial planning included within the wealth management advisory service varies based on the level of assets under management.

- A. Comprehensive Financial Planning – For clients with at least \$600k AUM, HFG provides a financial plan as part of the wealth management process. After a detailed review of the Client's gathered data, HFG Advisers will develop a plan that includes steps reasonably believed to achieve Client's stated financial goals and objectives. The plan will be delivered to Clients and monitored within the term of the agreement via the financial planning software platform.
- B. Limited-scope Financial Planning – For Clients with less than \$600k in AUM, HFG provides limited-scope financial planning. The Client and HFG will, together, determine the top priority area(s). HFG will work with the client on those specifically agreed-upon planning areas. Client ultimately determines the areas it wants to focus on and those areas will be detailed within its service agreement.

For some Clients, HFG might use a third-party investment adviser to manage certain Client accounts. When a third-party manager is suggested for Client accounts, HFG will still review the account and meet with Clients on a regular basis. HFG works with Clients using a suggested third-party manager to get setup and continue managing the account(s).

### ***Project-based Financial Planning Services***

In some cases, HFG may offer to provide project-based financial planning advice without investment management. Project-based Financial Planning services could include, but are not limited to, any of the topics in which HFG works with its wealth management clients. There are many areas that could be included. These areas may include, but are not limited to cash flow and debt management, retirement planning, insurance needs and planning, risk management, tax planning, benefits planning, education planning, real estate planning, business planning, and estate planning. As detailed above, HFG might suggest third-party providers in some of these topic areas. Clients are not required to engage any third-party providers suggested by HFG.

Prior to engaging HFG to provide financial planning or consulting services on a project basis, the client will be required to enter into a specific project-based service agreement. The initial plan is based on and HFG relies upon the data provided as being accurate. If Client circumstances change after the initial plan is developed, the Client has the responsibility to seek additional advice beyond the project-based engagement. The plan may need to be updated at a future date, if Client circumstances change. HFG does not provide any guarantees of the applicability of a project-based financial plan to circumstances that may change in the future or if data provided is not full and accurate.

### ***Investment Management Services (Stand-alone)***

For clients with assets under management of up to \$600k, HFG may provide stand-alone investment management services, in the absence of financial planning services. For this service, HFG provides portfolio and asset management to these Clients based on the individual needs of the Client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background. Asset accounts are primarily managed on a discretionary basis; however, occasionally advisory accounts are advised on a non-discretionary basis. This authority is granted to HFG by Client via a limited power of attorney to buy and sell within their accounts.

HFG does not limit the types of investments it employs; however, it primarily uses and suggests stocks, bonds, mutual funds, ETFs, U.S. government and municipal securities, variable annuities, insurance products, and cash and cash equivalents in Client portfolios. Other investment types may be employed at Client's request, if agreed upon by both HFG and Client. Clients can impose reasonable restrictions on the management of your account, including instructing us not to purchase certain specific securities, industry sectors, and/or asset classes. We will notify you if we are ever unable to honor any of your investment restrictions for any reason.

For some Clients, HFG might use a third-party investment adviser to manage certain Client accounts. When a third-party manager is suggested for Client accounts, HFG will still review the account and meet with Clients on a regular basis. HFG works with Clients using a suggested third-party manager to get setup and continue managing the account(s).

### ***Retirement Plan Consulting***

HFG provides consulting services for small business operating retirement plans. HFG will evaluate the Plan and its operation including, at minimum, the investment selection, monitoring process, and the investment policy statement. With regard to the IPS, the Advisor will assist the Plan Sponsor in adopting a suitable IPS, amending it from time to time, and will provide information and recommendations, consistent with the IPS, to aid the Plan Sponsor in selecting and monitoring investments offered to Participants in the Plan. HFG's roles and actions in fulfilling all responsibilities pertaining to the Plan shall not include those of the Plan's Trustee and will be performed solely at the direction of the Plan Sponsor, its authorized officers, employees and/or agents. At no time will the Advisor accept, maintain possession of, or have custodial responsibility for, the Plan's assets. Communicational and educational activities will be provided to plan participants. Our services are solely educational in nature and fall under the fiduciary scope as defined in Section 3(21) under ERISA.

### ***Educational Seminars and Speaking Engagements***

HFG may conduct or agree to provide seminars for individuals or groups. All seminars or speaking engagements will consist of general advice on investments. No specific or individualized advice will be provided as part of an educational seminar or speaking engagement. The topics to be covered will be determined by the Client and HFG and will be detailed in the signed agreement.

### **Client Tailored Services and Client Imposed Restrictions**

We tailor the advisory services we offer to your individual needs. You may impose restrictions and/or limitations on how we invest your funds in certain securities or types of securities, within reason. We will ask you to provide pertinent client details and data to assess your risk tolerance. The information gathered by HFG will assist the firm in providing you with the requested services and customize the services to your financial situation. Depending on the services you have requested, we will gather various financial information and history from you.

### **Wrap Fee Programs**

In some situations and when appropriate, HFG may offer a wrap fee program for certain accounts. HFG's wrap fee program is most appropriate for Clients that want to pay one bundled fee. The bundled fee includes both HFG's advisory fees and the commissions charged by the broker dealer. Thus, for wrap fee accounts, HFG is given a portion of the fee and pays the custodian any fees or commissions for you directly. If your accounts participate in the wrap fee program, HFG will provide the Form ADV Part 2A, Appendix 1, Wrap Fee Program Brochure. Please refer to that Wrap Fee Program Brochure for more information.

Clients may have some accounts that participate in the wrap fee program and some accounts are do not. For the accounts that follow the wrap fee program, the investment strategies may differ from the strategy for other accounts that are not under the wrap fee program because of the manner in which the fees are paid. Please contact HFG should you have any questions regarding the wrap fee program.

## **Item 5 Fees and Compensation**

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HFG's fees differ depending on the services engaged. The following provides a brief description of our fees, but your exact fees and services are detailed in your Advisory Agreement. HFG does not require prepayment of more than \$1,200 more than six months in advance of providing services.

### **Wealth Management Services**

The Wealth Management fee is based on a percentage of assets under management/advisement (AUM/AUA) and the complexity of the clients' situation. For clients with complexity factors, HFG may include a complexity fee above and beyond the AUM fee. The complexity fee ranges from \$0 to \$50,000 and is dependent upon variables including the specific needs of the Client, estimated time, research, and resources required to provide services to you, among other factors we deem relevant. Client fees are negotiable.

Wealth Management fees are annualized based on the following fee schedule:

Tier	Min Account Value		Max Account Value	Fee
1	\$0.00	up to	\$499,999.99	1.35%
2	\$500,000.00	up to	\$999,999.99	1.15%
3	\$1,000,000.00	up to	\$1,999,999.99	0.95%
4	\$2,000,000.00	up to	\$2,999,999.99	0.85%
5	\$3,000,000.00	up to	\$4,999,999.99	0.75%
6	\$5,000,000.00	up to	\$999,999,999.99	0.55%

HFG's annual advisory fee is a graduated fee based on the average daily balance of the Client's account(s) or a combination of AUM and the complexity fee and is paid on a quarterly basis in arrears and deducted directly from Client accounts held at their unaffiliated third-party qualified custodian. The graduated fee means that the portion of a Client's AUM/AUA within each tier will be calculated and then added together for the final fee.

Example: Client has \$800,000 in AUM, so Client's quarterly fee rate is calculated as follows:

$$\frac{(\$499,999.99 \cdot 1.35\%)}{4} + \frac{(\$300,000.01 \cdot 1.15\%)}{4} = \frac{\$6750}{4} + \frac{\$3450}{4} = \$1687.50 + \$862.50 = \$2560$$

For clients with a complexity fee, this fee will be paid separately from and in addition to the AUM fee. This fee can be paid by electronic funds transfer or check. HFG uses an unaffiliated third-party secure digital payment platform for clients to pay electronic funds transfer. HFG does not directly receive any bank or credit card information from this platform.

No increase to the agreed-upon advisory fees outlined in the Advisory Contract shall occur without prior Client consent. Lower fees for comparable services may be available from other sources. HFG typically aggregates households to determine the advisory fee. Account valuation is based on the Client's custodial account value as provided by the custodian. If a client initiates or terminates an agreement mid-quarter, HFG prorates the fee.

If HFG suggests an insurance product to a Client, it seeks to provide fee-only options for its wealth management Clients; fee-only insurance products are included in the fee schedule in the table above. However, in some cases, fee-only options might not exist. In those situations, HFG, when in the best interest of the client, will offer commission-based insurance products as an alternative option. If a Client decides to purchase the alternative option, the Client will pay fees and/or commissions for those purchased insurance products above and beyond the stand-alone investment management fees. Clients have the right to decide whether or not to purchase insurance products through HFG and which insurance professionals to use. Commissions from any insurance products purchased by clients are paid directly to HFG by the insurance company. Fees for advisory services and AUM fees are not reduced by the amount of commissions received by HFG for any insurance products Clients decide to purchase.

The above fee scheduled does not include any fees for third-party investment managers. All fees for third-party investment management are paid directly to the third-party based on their advisory agreement. HFG's fees will be paid to the third-party provider, who will remit payment to HFG.



## Project-based Financial Planning

Fees for project-based financial planning are set and agreed-upon in the advisory agreement based on the scope of services and the needs of the client. HFG's fees for this type of service range from \$0 to \$50,000. Project-based fees are negotiable. Payment of fees includes an initial fee to be collected in advance, with the rest of the fee split equally across the remaining months of the agreement. Project-based agreements will not exceed 6 months. HFG's hourly rate is \$350. This fee can be paid by electronic funds transfer or check. HFG uses an unaffiliated third-party secure digital payment platform for clients to pay electronic funds transfer. HFG does not directly receive any bank or credit card information from this platform.

If HFG suggests an insurance product to a Client as part of its financial planning process, it seeks to provide fee-only options for its project-based financial planning Clients; fee-only insurance products are included in the fee schedule. However, in some cases, fee-only options might not exist. In those situations, HFG, when in the best interest of the client, will offer commission-based insurance products as an alternative option. If a Client decides to purchase the alternative option, the Client will pay fees and/or commissions for those purchased insurance products above and beyond the stand-alone investment management fees. Clients have the right to decide whether or not to purchase insurance products through HFG and which insurance professionals to use. Commissions from any insurance products purchased by clients are paid directly to HFG by the insurance company. Fees for advisory services and AUM fees are not reduced by the amount of commissions received by HFG for any insurance products Clients decide to purchase.

## Investment Management (Stand-alone)

The stand-alone Investment Management fee is based on a percentage of assets under management/advisement (AUM/AUA). Client fees are negotiable and are annualized based on the following fee schedule:

Tier	Min Account Value		Max Account Value	Fee
1	\$0.00	up to	\$499,999.99	1.35%
2	\$500,000.00	up to	\$999,999.99	1.15%
3	\$1,000,000.00	up to	\$1,999,999.99	0.95%
4	\$2,000,000.00	up to	\$2,999,999.99	0.85%
5	\$3,000,000.00	up to	\$4,999,999.99	0.75%
6	\$5,000,000.00	up to	\$999,999,999.99	0.55%

HFG's annual advisory fee is graduated based on the average daily balance of the Client's account(s) and is paid on a quarterly basis in arrears and deducted directly from Client accounts held at their unaffiliated third-party qualified custodian. The graduated fee means that the portion of a Client's AUM/AUA within each tier will be calculated and then added together for the final fee.

Example: Client has \$550,000 in AUM, so Client's fee rate is calculated as follows:

$$\frac{(\$499,999.99 \cdot 1.35\%)}{4} + \frac{(\$50,000.01 \cdot 1.15\%)}{4} = \frac{\$6750}{4} + \frac{\$575}{4} = \$1687.50 + \$143.75 = \$1831.25$$

No increase to the agreed-upon advisory fees outlined in the Advisory Contract shall occur without prior Client consent. Lower fees for comparable services may be available from other sources. HFG typically aggregates households to determine the advisory fee. Account valuation is based on the Client's custodial

account value as provided by the custodian. Fees for accounts initiated or terminated mid-quarter will be prorated.

If HFG suggests an insurance product to a Client, it seeks to provide fee-only options for its stand-alone investment management Clients; fee-only insurance products are included in the fee schedule in the table above. However, in some cases, fee-only options might not exist. In those situations, HFG, when in the best interest of the client, will offer commission-based insurance products as an alternative option. If a Client decides to purchase the alternative option, the Client will pay fees and/or commissions for those purchased insurance products above and beyond the stand-alone investment management fees. Clients have the right to decide whether or not to purchase insurance products through HFG and which insurance professionals to use. Commissions from any insurance products purchased by clients are paid directly to HFG by the insurance company. Fees for advisory services and AUM fees are not reduced by the amount of commissions received by HFG for any insurance products Clients decide to purchase.

The above fee scheduled does not include any fees for third-party investment managers. All fees for third-party investment management are paid directly to the third-party based on their advisory agreement. HFG's fees will be paid to the third-party provider, who will remit payment to HFG.

### **Retirement Plan Consulting**

HFG will be compensated for Retirement Plan Consulting services according to the value of plan assets on a fee schedule that is set by the Third Party Administrator. HFG does not set this fee schedule. This does not include fees to other parties, such as Recordkeepers, Custodians, or Third-Party-Administrators. For Solo plans, fees are deducted directly from the plan assets by the Custodian on a monthly basis in advance based on the value of Plan assets as of the last day of the prior month. For all other plans, HFG service fees are deducted according to the plan documents directly by the plan sponsor and the sponsor pays HFG; HFG does not control the timing of the deductions by the plan sponsor. Fees for accounts initiated or terminated mid-quarter will be prorated. An account may be terminated with written notice at least 30 calendar days in advance. Upon termination of the Agreement, fees will be prorated and refunded to the client.

### **Educational Seminars and Speaking Engagements**

Fees for educational seminars or speaking engagement are set and agreed-upon in the agreement based on the scope of services and the needs of the client. Fees range from \$0 to \$50,000 per event. Fees are negotiable. Factors impacting the fee consist of the topic, amount of work required to prepare, number of attendees, complexity of the request, among others. Payment of fees includes an initial fee to be collected in advance, with the rest of the fee due upon completion of the agreement. HFG's hourly rate is \$350. Travel arrangements, if applicable, will be agreed upon as part of the engagement agreement.

### **Other Types of Fees and Expenses**

Beyond our advisory fees, clients will also pay brokerage transaction costs, custodial charges, funds transfer fees, other charges directly to the Custodian in accordance with the Custodian's account opening documentation, and other third-party fees, such as wire transfer fees, electronic fund transfer fees, etc.. Clients are also responsible for the payment of any transfer taxes or other taxes applicable to their account holdings, as well as their proportionate share of any internal management fees, operating expenses, and other costs charged by any mutual funds or ETFs to their shareholders. Please see Item 12 of this Brochure for more information regarding our brokerage practices. We do not share in any portion of the foregoing additional fees and expenses. To fully understand the total costs you will incur when engaging our services,

you should review the prospectus of each mutual fund and/or ETF in which you invest and the contractual arrangement entered with your Custodian. If you engage any recommended third-party professionals, you will have separate and distinct fees for those services. If a Client decides to purchase a commission-based insurance product, the Client will pay fees and/or commissions for those purchased insurance products above and beyond the agreed-upon advisory fees.

### **Terminations and Refunds**

We will provide a copy of this Brochure to each client prior to the execution of all client agreements. Any client who has not received a copy of our written Brochure at least 48 hours prior to executing the client agreement has five business days after executing the service agreement to terminate our services without penalty.

Wealth Management and stand-alone Investment Advisory agreements with our firm may be terminated at any time by either party by providing at least thirty (30) days written notice to the other party. Upon termination, the client will be required to pay a prorated advisory fee based upon the number of days services were provided during the period. While all billing for these two services is generally in arrears, any compensation paid for services to be rendered beyond the date of termination shall be refunded to the client.

The limited-service agreements with HFG (Project-based Financial Planning, Educational Seminar, or Speaking Engagement Agreements) have a listed end-date and will terminate on that date automatically. Additionally, these agreements may be terminated at any time by either party by providing at least thirty (30) days written notice to the other party. If applicable and for any fees paid in advance, a prorated refund will be provided for any unearned fee based on services already provided. Client will receive a final bill for any fees earned or expenses paid on behalf of the Client pro-rated based on work completed.

### **Compensation for Sale of Securities or Other Investment Products**

HFG and its supervised persons will receive commissions for some Client-purchased insurance products recommended by HFG. This is a conflict of interest for HFG and gives HFG and its supervised persons an incentive to recommend insurance products based on the compensation received, rather than on a client's needs. However, HFG has a fiduciary duty to its clients; thus, it must make recommendations in the best interest of its Clients. In order to mitigate this conflict of interest, HFG seeks to recommend fee-only insurance products, rather than commission-based products, when those are available. Further, Clients have the option to purchase investment products that HFG recommends through other brokers or agents that are not affiliated with HFG. If a Client decides to purchase any commission-based products, the Client will pay fees and/or commissions for those purchased insurance products above and beyond agreed-upon advisory fees.

HFG does not receive commissions for the sale of other securities or investment products, other than insurance products.

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

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HFG does not charge performance-based fees or engage in side-by-side management.

## Item 7 Types of Clients

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HFG's services are geared toward individuals, high net-worth individuals, corporations or other businesses, other investment advisors, charitable organizations, and certain pension plans. HFG does not have a required minimum account size or a minimum annual fee.

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

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### Methods of Analysis

HFG primarily uses fundamental analysis and the principles of Modern Portfolio Theory when choosing investments for client accounts. However, we may also conduct mutual fund or ETF analysis, as well as using other factors or methods of analysis when appropriate and in the best interests of the Client.

- *Fundamental analysis* entails assessing the economic and intrinsic value of target securities through a review of company specific financial disclosures, the strength and track record of management personnel, industry sector financial health, the overall direction of the economy at the Macro level, amongst other factors. HFG uses this information as a basis to determine if such securities are underpriced or overpriced relative to current market prices and then to make a buy or sell recommendation. The risk herein is based on the short-term information used in the assessment, as the information may change quickly and is based on many factors that are not in HFG's control.
- *Modern Portfolio Theory* is a theory of investing that attempts to maximize a portfolio's expected return based on a given amount of portfolio risk by carefully choosing the appropriate amount of various assets. A risk here includes its reliance on historical data; past performance is not always predictive of future behavior.
- *Mutual Fund/ETF Analysis* includes assessing the experience and track record of the underlying portfolio manager(s), the performance of the fund over time and through various market conditions, expected market conditions that might impact the underlying holdings of the fund or applicable market sector, and whether and to what extent the underlying holdings of the fund overlap with other assets held in your account. It is important to note that a fund manager's record may not be predictive of future outcomes.

Investments in any securities involve risk, which a Client must be ready to bear.

### Investment Strategies

HFG uses the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations. For some investment strategies, returns on investments may be reduced due to any limitations put on HFG's ability to diversify the portfolio.

- *Passive/Active Investment Management* – HFG will use a combination of active and passive investment management for its Clients' portfolios.

- *Faith-based Investing* – HFG will employ this strategy if requested by Clients. This strategy includes constructing a Client portfolio to align with their values. Portfolios following this strategy may limit returns on investment due to HFG’s ability to diversify the portfolio.
- *Variable Annuities* – HFG primarily utilizes variable annuities for income riders. Clients should be aware that certain riders purchased with a variable annuity product may limit the investment options and the ability of HFG to manage the subaccounts.
- *Third-Party Management* – HFG, when appropriate, might suggest the use of a Third-party Investment adviser. The past track record of success of a third-party investment adviser cannot be relied upon as a predictor of success in the future. In addition, the holdings of your account(s) held at a third-party investment adviser are determined exclusively by them directly, and may change overtime without advance warning to us, creating the potential for overlap with other investments held in your account. The potential unaffiliated third-party advisers we recommend are:
  - **Betterment for Advisors:** For clients in our Wrap Fee program (see the separate wrap fee brochure), Betterment will both conduct account trades and deduct fees.

### Material Risks

Investing in securities involves risk of loss, including the potential loss of the principal money you are investing. Therefore, your participation in HFG’s investment management program requires you to be prepared to bear the risk of loss as well as the fluctuating performance of your accounts. Market values of investments will always fluctuate based on market conditions. We do not represent, warrant, or imply that the services or methods of analysis we use can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by HFG or its supervised persons will provide a better return than other investment strategies.

Risks are involved in all types of investing. The risks outlined below apply to the investment strategies utilized by HFG:

- *Business Risk* - With a stock, you are purchasing a piece of ownership in a company. With a bond, you are loaning money to a company. Returns from both of these investments require that the company stays in business. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds.
- *Category or style risk* – The chance that one investment category or style may underperform or outperform other categories and styles.
- *Credit risk* – The chance that a bond issuer or insurance company will fail to pay interest and principal in timely manner.
- *Currency risk* – Also known as "exchange rate risk," this is the chance that foreign investments will be subject to fluctuations in the value of the dollar against the currency of the investment's country of origin.
- *Financial risk* – Excessive borrowing to finance the ongoing operations of a business increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or declining market value.
- *Inflation risk* – The risk that investment returns will be below the general increase in prices due to inflation.

- *Interest rate risk* – The chance that investment prices will change based on a move in interest rates (bond prices decline as interest rates rise). Relative to fixed income securities with nearterm maturities, longer maturity bonds will have a larger change in price with a move in interest rates.
- *Legal or Political Risk* – Investments could suffer due to government or other legislative changes or rulings of a court.
- *Liquidity risk* – This is the risk whereby the ability to buy or sell a security becomes more difficult and, therefore, negatively impacts the price at which one is able to transact in the security.
- *Market risk* – The price of a security, bond, mutual fund and/or exchange-traded fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular circumstances. For example, economic, political and social conditions may trigger market-related events.
- *Price volatility* – The price of a security, mutual fund and/or exchange-traded fund may fluctuate, even significantly, in a short period of time.
- *Reinvestment risk* – The potential exposure that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Sector risk* – This is the chance that major problems may impact a specific sector, or that returns from that sector may trail the returns of the overall equity market. Daily fluctuations in individual sectors can often be more extreme than fluctuations in the overall market.
- *Systematic risk* – Also known as "market risk," this is the chance of a severe drop of an entire financial market (e.g., political or social upheaval, natural disaster, etc.).
- *Tax risk* – This is the chance that the taxing authority changes its tax rates or policies (e.g., rescind tax-exempt status of particular bonds).
- *Unsystematic risk* – Also known as "specific risk," this is the chance of a decline in the value of a particular asset (i.e., an individual stock declines while the overall stock market is not impacted).

### **Specific Security Risks**

HFG does not primarily recommend one particular type of security; however, some of the securities HFG recommends may have additional risks apart from the general risks outlined above.

- *Common stocks* – Common stocks may be volatile, which means the price could change significantly in a short period of time. Also, due to business choices, a stock could fully drop in value, leading to a full loss.
- *Corporate Bonds* – Bond prices are correlated to interest rates. When interest rates go up, bond prices go down. Inversely, when interest rates fall, bond prices go up. Some bonds have features that allow the bond issuer to repurchase or redeem the bond before maturity at a specific price. This risk is the chance that the borrower will do so; thus, expose the investor to a lower than expected return on that bond investment.
- *Exchange Traded Funds* – Exchange-traded fund shares may trade in the market at a premium or discount to their net asset (NAV) because of market supply and demand. The premiums and discounts for specific exchange-traded funds can vary, depending on the type of exchange-traded fund and time period.
- *Mutual Funds* – A risk of this type of security is that the underlying holdings of the fund are determined by independent fund managers and may change overtime without advance warning, creating the

potential for overlap with other investments held in your account. This increase in the correlation of your holdings will increase the risk of loss where the value of any overlapping holdings should decrease. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund, which could make the holding(s) less suitable for the client's portfolio.

- *Variable Annuities* – If a client purchases a variable annuity product, the client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Clients should also be aware that certain riders purchased with a variable annuity product may limit the investment options and the ability to manage the subaccounts. Additionally, the decision to liquidate an annuity prior to its maturity date may result in surrender charges and a complete loss of certain benefits for which significant fees may have previously paid to the annuity issuer. Further, internal fees for variable annuities are often higher than other investment options.

## Item 9 Disciplinary Information

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HFG is required to disclose all material facts regarding any legal, administrative, or disciplinary event that would be material to your evaluation of HFG or the integrity of our management or supervised persons. No principal or person associated with HFG has any information to disclose which is applicable to this item.

## Item 10 Other Financial Industry Activities and Affiliations

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Neither HFG or its management or related persons are registered, or have an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Ray Henderson and Stephanie Davis are currently licensed insurance agents for various insurance companies. The insurance business represents a small part of HFG's total activities, and it does not concentrate resources in this area. Ray and Stephanie spend approximately 10% of their time on this activity. When possible, they use fee-only insurance products; however, when fee-only products are not available, they will offer Clients commission-based insurance products. Thus, if Clients purchase insurance products through them in their roles as insurance agents, they might earn a commission. This creates a conflict of interest. Clients are under no obligation to purchase insurance products or services through HFG. Clients have the right to decide whether or not to purchase insurance products and which insurance professionals to use.

HFG has relationships with LPL Financial and Charles Schwab Institutional that are material to its advisory business; for more information, see Item 12 of this Brochure.

While HFG does recommend third-party investment advisers, it does not receive any compensation from third-party investment advisors that it recommends.



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

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### Code of Ethics Overview

HFG has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. HFG takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as our policies and procedures. We provide you with our Privacy Policy that details our procedures for handling your personal information. WAS maintains a Code of Ethics for its Advisory Representatives, supervised persons, and office staff. The Code of Ethics contains provisions for standards of business conduct to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about your transactions. Further, our Code of Ethics establishes our firm's expectation for business conduct.

Our Code of Ethics includes provisions relating to the confidentiality of client information, prohibition on insider trading, prohibition on rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at HFG must acknowledge the terms of the Code of Ethics annually or when amended. The Code of Ethics is designed to ensure that the personal securities transactions, activities, and interests of HFG and its supervised persons do not interfere with making decisions in the best interest of advisory clients or in implementing such decisions. Personal security transactions of HFG employees, officers, and directors are prevented from conflicting with the best interests of HFG's Clients.

Our Code of Ethics is reviewed and updated regularly to ensure that it meets existing regulations. Code of Ethics attestations are collected from supervised persons at least on an annual basis. A copy of our Code of Ethics will be provided to you upon request.

### Interest in Client Transactions & Personal Trading

Neither HFG nor its associated persons recommends to clients or buys or sells for client accounts any securities in which we have a material financial interest.

HFG and its associated persons may buy or sell securities identical to or alongside those securities recommended to Clients. Therefore, HFG and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold for Clients. HFG will not put their interests before your interest.

Neither HFG nor any associated person may trade ahead of you or trade in such a way to obtain a better price for themselves than for you or other clients. No affiliated person may trade in a client's account in such a way as to disadvantage any client.

HFG is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of your transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.



Pursuant to 17 CFR § 275.204A-1(e)10, HFG's code of ethics is not applicable to non-reportable securities, which include direct obligations of the United States Government, bankers' acceptances, bank certificates of deposit, commercial paper and high-quality short-term debt instruments, and shares issued by money market funds, by open-ended funds that are not reportable, and by unit investment trusts invested in non-reportable funds. HFG's Code of Ethics is also not applicable to any Client account transactions wherein HFG or its supervised persons does not have any influence or control.

## Item 12 Brokerage Practices

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### **Factors Used to Select Custodians**

Our clients' assets are held by independent unaffiliated third-party custodians. Clients are not obligated to effect transactions through any broker-dealer recommended by HFG. In recommending broker-dealers, HFG will comply with its fiduciary duty to seek best execution and with the Securities Exchange Act of 1934 and will take into account such relevant factors as: price, the custodian's facilities, reliability and financial responsibility, the ability of the custodian to effect transactions, particularly with regard to such aspects as timing, order size and execution of order, and any other factors that we consider to be relevant.

HFG does not have any affiliation with any custodian we recommend. Specific custodian recommendations are made to the Client based on their need for such services. We recommend custodians based on the reputation and services provided by the custodians. In general, our relationships with the custodians below allow HFG to provide Clients with access to institutional brokerage services that might not be available to non-institutional accounts.

Taking these factors into consideration, HFG utilizes the following independent custodians to affect your transactions:

- Charles Schwab and Co. via Schwab Adviser Services
- LPL Financial
- Betterment For Advisors via Betterment Securities
- Jackson National
- Lincoln Financial
- Corebridge
- American Funds/ Capital Group
- One America/Voya
- John Hancock
- DPL Financial Partners, LLC

Clients should understand that they can choose their custodian; however, we generally suggest that Clients open brokerage accounts at Charles Schwab and Co.

For insurance products, HFG provides access to a platform of insurance products by DPL Financial Partners, LLC ("DPL"). Clients are under no obligation to use DPL's service and may seek insurance advice from any licensed agent. The insurance products and fee structures available from DPL may differ from those available from other third-party insurance agents. HFG recommends that Clients fully evaluate products and fee structures to determine which arrangements are most favorable to them prior to making an investment decision.

## **Research and Soft-Dollar Benefits**

HFG does not have any soft-dollar arrangements and does not receive any soft dollar benefits or commissions from any of the custodians it uses. However, by using these custodians HFG has access to certain research and services that benefit you and HFG. An overview of those services are provided below.

As part of our business relationship with brokerage firms, HFG receives access to various services which could include the following:

- Proprietary research and other information services
- Trading
- Pricing information and market research
- Record keeping for client accounts and profiles
- Management fee payment from client accounts
- Assistance with back-office functions, including record keeping and reporting discounts or full/partial payment of third-party services utilized by HFG
- Compliance, legal, and business consulting publications and conference access
- Educational events and training (e.g., discounted rates)
- Relationships with employee benefits and insurance providers

These services generally are available at no charge to HFG. These services are not contingent upon committing any specific amount of business to the broker-dealer. HFG may have an incentive to direct brokerage to a broker-dealer to obtain research, products, or other services rather than to obtain the most favorable execution for the client. This conflict of interest is mitigated through HFG regularly assessing the best execution of its custodians, along with the factors it utilizes to select custodians. Generally, the services and research obtained from HFG's broker-dealers are used for the benefit of all our clients.

## **Brokerage for Client Referrals**

HFG does not receive referrals from any broker-dealer, custodian, or third-party in exchange for engaging with that broker-dealer, custodian, or third-party.

## **Directed Brokerage**

HFG's Clients are free to choose the custodian at which to custody their assets and/or to have HFG execute their transactions. HFG does recommend custodians as discussed above. By permitting Clients to direct brokerage, HFG might not be able to achieve the most favorable execution of Client transactions. For example, if a Client account is held outside of HFG's custodian's, then Client will be responsible for trade execution.

## **Aggregated Trading Across Client Accounts**

HFG may aggregate or combine orders for multiple client accounts, as long as it is done for purposes of achieving best execution and as long as no client is systematically advantaged or disadvantaged. The allocations of a particular security will be determined by HFG prior to executing the trade with the broker. When practical, client trades in the same security will be bunched in a single order (a "block") in an effort to obtain best execution at the best security price available. When employing a block trade:

- HFG will make reasonable efforts to attempt to fill client orders by day-end.
- If the block order is not filled by day-end, HFG will allocate shares executed to underlying accounts on a pro rata basis, adjusted as necessary to keep client transaction costs to a minimum.

- If a block order is filled (full or partial fill) at several prices through multiple trades, an average price and commission will be used for all trades executed.
- All participants receiving securities from the block trade will receive the average price.
- Only trades executed within the block on the single day may be combined for purposes of calculating the average price.

It is expected that this trade aggregation and allocation policy will be applied consistently. However, if application of this policy results in unfair or inequitable treatment to some or all of HFG's clients, HFG may deviate from this policy. The trade aggregation and allocation practices of mutual funds, ETFs, and Third-party Investment Managers that we may recommend to you are disclosed in their respective prospectuses and disclosure brochures. We encourage you to review those documents carefully to understand the trade aggregation and allocation practices of these third parties.

## Item 13 Review of Accounts

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Wealth and stand-alone Investment Management Clients' account(s) will be reviewed on an annual basis by HFG advisory representatives. The account(s) are reviewed with regard to the Client's investment objectives, risk tolerance levels, and needs. HFG does not provide specific reports to clients. Additional reviews might be triggered by, but not limited to, changes in a client's investment objectives or financial circumstances, tax considerations, large deposits or withdrawals, large sales or purchases, loss of confidence in corporate management, or changes in the economic climate.

HFG does not provide written performance or holdings reports to Wealth Management or stand-alone Investment Management Clients outside of what is provided directly by their custodian as part of their account statements. Clients' custodian(s) will send them standard statements on at least a quarterly basis.

## Item 14 Client Referrals and Other Compensation

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HFG's wealth management, project-based financial planning, stand-alone investment management, and educational seminar services are fee-only. This means that Clients are the only ones who compensate HFG for these services. However, for some insurance products purchased by Clients, HFG receives commissions.

Some product vendors recommended by HFG provide both monetary (insurance commissions) and non-monetary assistance to HFG. HFG does not select products as a result of any monetary or non-monetary assistance. Products are chosen and recommended to Clients based on their best interest. HFG's due diligence of a product does not take into consideration any assistance it receives. Receipt of commissions, presents a potential conflict of interest. HFG attempts to mitigate the conflict of interest by 1) notifying you of the conflict and choosing fee-only insurance products when available, 2) informing you that you are free to consult other financial professionals, and following our Code of Ethics to act in an ethical manner.

HFG does not directly or indirectly compensate any person who is not our supervised person for client referrals.

## Item 15 Custody

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It is the firm's policy to not accept or maintain custody of a client's securities other than to deduct fees from client accounts through the custodian or to allow clients to setup third-party standing letters of authorization.

With a client's written consent, the firm may be provided with the authority to seek deduction of fees from a client's accounts. The account custodian does not verify the accuracy of the firm's advisory fee calculation. Each time a fee is deducted from a client account, HFG will concurrently:

- Send the qualified custodian an invoice of the amount of the fee to be deducted from the client's account; and
- Send the client an invoice itemizing the fee.

HFG intends to use the safeguards provided above.

With client's written consent the firm may be provided with the authority to setup third-party standing letters of authorization (SLOAs) in order to initiate transfers between client accounts and accounts that have different registrations than the client's account. For accounts in which third-part SLOAs are established, the seven safeguards below will be completed:

- Clients will be required to provide written and signed instructions to their qualified custodian detailing the name, address, and account number for which the transfer should be directed.
- Clients will provide written authority to HFG to direct transfers either on a specific schedule or from time to time.
- HFG holds the belief that Client's qualified custodian verifies the written instruction received from Client and notifies clients of the transfer promptly after each transfer occurs.
- Client maintains the ability to terminate or change the instruction to the its qualified custodian.
- HFG has no ability or authority to redesignate or change the third party name, address, account number or any other information without Client's written instruction.
- HFG maintains books and records documenting that the third party is not a related party of HFG or located at the same address as HFG.
- The qualified custodian notifies client in written form confirming the initial setup and then annually to reconfirm the instruction.

All clients receive account statements directly from qualified custodians, such as their custodian or broker dealer that maintains those assets. The client should carefully review these account statements and compare them to the quarterly or other reports provided by HFG. Statements provided by HFG may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. We urge all our clients to compare statements in order to ensure that all account transactions, including deductions to pay advisory fees and remain proper.

## Item 16 Investment Discretion

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HFG generally works with Clients on a discretionary basis, but will also provide non-discretionary account management, as well.

Discretionary authority is granted to HFG via the Advisory Agreement and via a limited power of attorney filed with the custodian. Discretionary authority means that HFG can determine the amount and type of securities to sell or buy for Client accounts and enact the transactions without obtaining prior approval. HFG will obtain pertinent Client suitability details and needs/goals to ensure that discretionary decisions made by HFG are in the best interests of the Clients. Reasonable limits to HFG's discretion can be placed on certain accounts or investments with approval by HFG.

If non-discretionary authority is established for any accounts, HFG will speak with the Client in advance of executing any transactions to obtain Client approval. Advice and recommendations made in a non-discretionary arrangement are at the sole discretion of the Client to use or implement.

## Item 17 Voting Client Securities

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HFG does not vote Client proxies or receive duplicate statements for Client accounts. Clients will receive all proxies or other solicitations directly from their custodian. Clients can contact HFG with questions about received solicitation.

## Item 18 Financial Information

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HFG does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance. Since we have discretionary authority and limited constructive custody (due to fee deductions), we must make sure Clients understand that HFG does not have any financial condition or bankruptcy that is reasonably likely to impair its ability to meet contractual commitments to its Clients.