

# ***Matson Financial Advisors, Inc.***

## **Investment Adviser Disclosure Brochure**

**This brochure provides clients and prospects with information about the qualifications and business practices of Matson Financial Advisors, Inc. The office is located at 4 Mountain View Terrace, Suite 104, Danbury, Connecticut 06810.**

**If you have questions about the contents of this brochure, you may contact the firm through our website at [www.matsonfinancialadvisors.com](http://www.matsonfinancialadvisors.com) or contact Michael J. Matson, President of Matson Financial Advisors, Inc., at (203) 743-0131.**

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

**March 2024**

## Item 2. Material Changes

There were no material changes to the Form ADV since the last Annual Amendment

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## Item 4. Advisory Business

Michael J. Matson is the president, founder, and owner of Matson Financial Advisors, Inc. (“MFA”). The firm was established in 1994. MFA is an independent investment advisory firm registered with the United States Securities and Exchange Commission (the “SEC”). Registration with the SEC does not imply a certain level of skill or training.

Since its inception, MFA has provided planning and wealth management services by combining financial planning and investment advice for individuals, families, not-for-profit organizations, and business entities.

MFA embraces the financial-planning process by engaging clients in dialogue to help determine their current and future financial needs. MFA then works with clients to bring together the different parts of their financial lives to build a roadmap for the future.

Financial planning typically explores the following key topics:

Financial-planning basics: understanding financial, economic, cash-flow and debt management concepts;

Investment planning: building a portfolio, including explaining different investment vehicles, diversification, and risk management;

Retirement income planning: performing retirement needs analyses, evaluating retirement plans, and understanding Social Security, Medicare, and the taxation of distributions during retirement;

Tax and estate planning: understanding laws and obligations for taxes, property transfer, and estate planning, including wills, trusts, and powers of attorney;

Insurance planning: evaluating potential risk and assessing different types of insurance, from healthcare to property to disability; and

Education planning: preparing to save and pay for higher education.

MFA works best with individuals and families with a long-term perspective and a plan to remain invested through all market cycles. MFA works with clients to design diversified investment portfolios. Many clients seek an allocation that will participate nicely when markets do well yet will be protective when markets experience temporary downturns.

MFA executes investment recommendations and specific transactions in accordance with client investment objectives. MFA offers a variety of investments, including stocks, bonds and other fixed-income investments, mutual funds, exchange-traded funds, and annuities. MFA does not offer proprietary products. Other firms may offer investment products that MFA does not.

Financial planning and ongoing wealth management services may include all or some combination of the following services:

Providing an annual review to update client goals, to gauge the progress being made toward achieving client goals, to determine the adequacy and sources of current income, and to understand overall financial wellbeing;

Online financial planning and investment account access, which provides updated consolidated financial plan, investment, banking and insurance values with secure online access;

Determining methodology and outlining all sources of income to provide a predictable stream of inflation-adjusted income over time;

Year-end tax planning to identify potential tax-advantaged adjustments;

Coordination of planning efforts with other professional, including insurance, legal, and tax experts, regarding strategies for philanthropy, planned giving, and multigenerational planning.

MFA gathers client information through an in-depth personal interview. During this interview, MFA listens to client concerns and goals. Based on this information and additional data provided by the client, MFA may prepare a wealth management strategy that encompasses specific planning, investment, and insurance solutions to achieve the client's stated goals. During this process, the client can inform MFA of any specific investment management requests regarding specific holdings to consider or avoid. Clients are permitted to impose restrictions on investing in certain securities or types of securities.

MFA assists clients with investment selection on a non-discretionary basis only. As of December 31, 2023, regulatory assets under management were **\$381,542,531**.

## **Item 5. Fees and Compensation**

Believing that clients should know the adviser fee for services in advance, MFA works with a client to determine the Financial Consult, Financial Planning, or Ongoing Planning and Wealth Management fee based on the types and level of services actually provided, rather than aligning the fee specifically to the value of client assets or net worth. MFA provides financial planning and investment advisory deliverables that assist in determining the scope of work required by the client. With guidance from the client, MFA seeks to gain a clear understanding of its servicing responsibilities.

**Financial Consult.** Adviser may offer clients one-time financial planning or consultative engagements for a flat dollar fee. This flat fee will be agreed in advance and will be based on the estimated time required for and the complexity of the planning work requested by clients. Examples of these engagements include assistance with estate planning or the probate process, plans for exercising employer-issued options or restricted stock units, and review of personal or business insurance. This fee will generally range from \$750 to \$5,000 and is payable once the planning work is completed.

**Financial Planning.** Upon execution of a financial planning agreement, clients will pay a one-time planning fee that will typically range from \$2,500 to \$8,500, paid at time of plan review. This fee includes data gathering, data input and plan preparation, presentation of the financial plan and Adviser recommendations, and any additional follow-up pertinent to providing a finalized plan and recommendations.

**Ongoing Financial Planning and Wealth Management.** During the term of an ongoing financial planning and wealth management agreement, clients will pay an annual fixed fee that will typically range from \$2,500 to \$35,000, in semiannual or quarterly installments, and in arrears. Adviser fees are subject to annual review and may increase by three to five percent each year. Clients will be advised in advance of any change in fees. Fees are based on the particular services selected and, on the nature, and complexity of client circumstances. Selection of services is assessed through dialogue with clients to determine the scope of services required.

MFA invoices clients on a quarterly, semiannual, or annual basis in arrears. Generally, adviser fees are deducted directly from client assets held at the account custodian. However, there may be situations in which clients are invoiced directly.

MFA has provided advisory services to select legacy clients for fees based on a percentage of assets under management. Generally, the annual fees have ranged from 0.40% to 1.25% of assets under management. These adviser fees are invoiced in arrears and deducted directly from client assets held at the account custodian. However, there may be situations in which clients are invoiced directly.

All fees paid to MFA for planning and ongoing wealth management services are separate and distinct from the fees and expenses charged by mutual funds and exchange-traded funds (each an “ETF”) to shareholders. These fees and expenses are described in the prospectus of each mutual fund or ETF and generally include a management fee and other fund expenses, such as rule 12b-1 distribution fees. Accordingly, clients should review both

the fees charged by their fund investments and the adviser fee charged by MFA to fully understand the total amount of fees that they are paying.

All fees paid to MFA for planning and ongoing wealth management services are separate and distinct from trading and transaction fees charged by broker-dealers associated with the purchase or sale of equity securities, fixed-income securities, mutual funds, and ETFs. Clients are solely responsible for all trade commissions and other transaction charges. A current fee schedule for trading through Pershing LLC is available upon request. Additional information about brokerage and transaction costs is provided in the section of this brochure entitled "Brokerage Practices."

Clients are responsible for charges related to the custody of securities in accounts managed by MFA. These charges may include account service fees, asset movement fees, account transfer fees, account closing fees, checking fees, and optional services selected by the client. Any fee or expense that increases the total client cost will reduce the value of client investments over time.

The Letter of Agreement with a client may be canceled at any time by either party for any reason upon prior written notice. Upon termination, MFA will have no further obligation to act or advise with respect to client assets.

In certain circumstances, MFA financial advisors may receive compensation for the sale of securities or other investment products, including asset-based sales charges, distribution fees, or service fees from mutual funds. Receiving compensation in the form of asset-based sales charges or service fees presents a conflict of interest, as the arrangements may incentivize MFA financial advisors to recommend investment products based on the compensation received rather than on client needs. This conflict is avoided by recommending institutional share classes, where available, and stocks, bonds, and ETFs that do not pay asset-based commissions or service fees. The adviser fee that clients pay MFA are determined with an understanding and consideration of any potential future compensation that may be paid to MFA financial advisors over time. The discussion with the client regarding the ongoing planning and wealth management fee will also include a verbal disclosure of potential conflicts of interest when compensation in the form of asset-based sales charges or service fees may be paid, along with the suggested timeline regarding when holdings in accounts may be exchanged or traded to eliminate future compensation that presents a conflict of interest. Commissions and other compensation for the sale of investment products previously recommended to clients, including asset-based distribution fees from mutual funds, represents less than 5% of MFA's advisory revenue. Ongoing planning and wealth management invoices will not be offset by future asset-based commission or markups. Clients have the option to purchase investment products that MFA recommends through broker-dealers and other agents that are not affiliated with MFA.

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

This item is not applicable.

## **Item 7. Types of Clients**

MFA provides financial planning and wealth management services by combining financial planning and investment management for individuals, trusts, not-for-profit organizations, and retirement plans. MFA does require an account or relationship minimum fee in order to

maintain an account or to establish a relationship. There is a minimum annual fee of \$2,500 for ongoing financial planning and wealth management services.

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

MFA may use, without limitation, any of the following methods of analysis, sources of information and investment strategies: fundamental and technical analysis, financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses and press releases. MFA financial advisors may also utilize different investment strategies, based upon the needs of the client, which include long-term and short-term purchases.

All clients must recognize that there may be loss or depreciation of the value of any investment due to the fluctuation of market values. Clients must be prepared to bear these losses or depreciation. Clients represent that no party to the Letter of Agreement has made any guarantee, either oral or written, that client investment objectives will be achieved. MFA will not be liable for any error in judgment or for any investment losses in accounts managed by MFA in the absence of malfeasance, gross negligence, or violation of applicable law.

All investments have certain risks that are borne by the investor. The investment approach employed by MFA keeps the risk of loss in mind. Like other investors, MFA clients face the following investment risks:

**Dependence on MFA:** The performance of an investment account at MFA is critically dependent on the efforts of MFA financial advisors. Biographical information about MFA financial advisors is included in the MFA brochure supplements. The financial advisors devote the time and effort that they deem necessary to supervision of MFA investment accounts, but they may have other business responsibilities. The past performance of MFA and its financial advisors may not be indicative of future results.

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. External factors cause this type of risk regardless of the particular circumstances that affect a security. For example, political, economic, and social conditions may influence market conditions. Unforeseen events, such as the terror attack on September 11, 2001, a global health pandemic and cybersecurity attacks, could also impact capital market expectations.

**Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, fixed-rate bond coupons tend to become less attractive, which in turn causes bond market values to decline.

**Inflation Risk:** When inflation is present, a dollar today will not buy as much as a dollar next year, because the purchasing power of the dollar is eroding at the rate of inflation.

**Volatility Risk:** Volatility refers to the amount of uncertainty or risk about the size of changes in the value of a security. High volatility means that the value of a security may potentially be spread over a larger range of values. High volatility means that the price of the security may change dramatically over a short time period in either direction. Low volatility means that the value of a security does not fluctuate dramatically. Many securities have experienced high volatility in recent years.

**Currency Risk:** A security that is not denominated in United States dollars is subject to fluctuations in the value of the United States dollar as against the currency in which the security is denominated. For example, the value of a security denominated in euros will decrease if the dollar strengthens against the euro. This type of risk is also called exchange-rate risk.

**Reinvestment Risk:** Future proceeds from investments may be reinvested at a lower rate of return because yields generally have decreased. This risk primarily relates to fixed-income securities.

**Business Risk:** This risk is associated with a particular industry or a particular issuer. For example, an oil production company depends upon a lengthy process of finding, transporting, and then selling oil before the company can generate a profit. As a result, an oil production company carries a higher risk of profitability variance than an electric company, which generates income from a relatively stable customer base that must purchase electricity regardless of the economic environment.

**Liquidity Risk:** Liquidity is the ready ability to convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, U.S. Treasury bills are highly liquid, while real estate is not. Investors should be financially able to maintain their investment without a need for immediate liquidity.

**Financial Risk:** Excessive borrowing to finance the operations of a business increases the risk of profitability, because the company is required to repay principal and interest in both good and bad economic times. During periods of financial stress, the inability of a company to meet its loan obligations may decrease the value of its securities and, in some cases, force the company to seek bankruptcy protection.

**Risks Related to Public-Health Crises:** A public-health crisis, such as the COVID-19 global pandemic, may have unpredictable and adverse impacts on global, national, and local economies, which in turn may negatively impact MFA clients and their investment performance. The impact of a public-health crisis such as COVID-19 (or any future pandemic, epidemic, or outbreak of a contagious disease) is difficult to predict and presents material uncertainty and risk with respect to the performance of client investments.

## **Item 9. Disciplinary Information**

This item is not applicable.

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

*Michael J. Matson* is a registered representative of Cetera and may receive commissions on securities transactions. Approximately fifteen percent of his time is spent in this capacity. Being a registered representative of Cetera and an investment adviser representative of MFA presents a conflict of interest when Mr. Matson recommends that a client invest in a security that results in a commission being paid to Mr. Matson. Investment adviser representatives of MFA provide planning and advisory services that are separate and independent of those provided by Cetera. Mr. Matson spends approximately seventy-four percent of his time as an investment adviser representative of MFA. In addition to being a

registered representative of Cetera, Mr. Matson is an investment adviser representative of Cetera. He spends less than one percent of his time in this capacity.

In addition, Mr. Matson engages in selling group and individual insurance plans and group retirement plans, including 401(k) plans and health, life, disability, dental, and long-term care insurance. Approximately ten percent of his time is spent in this capacity.

The investment adviser representatives of MFA do not recommend other investment advisers to clients and do not receive compensation from other advisers or other professional business relationships, including certified public accountants and lawyers.

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

MFA has adopted a code of ethics pursuant to rule 204A-1 of the Investment Advisers Act of 1940 to prevent violations of federal securities laws. The code of ethics is predicated on the principle that MFA owes a fiduciary duty to its clients. Accordingly, MFA expects all supervised persons to act with honesty, integrity, and professionalism, to adhere to the federal securities laws, and are to adhere to the code of ethics. At all times, MFA and its financial advisors must place client interests ahead of their own interests, must engage in personal investing in full compliance with code of ethics, and must avoid taking advantage of their positions. A client or prospective client may request a copy of the MFA code of ethics by contacting Michael J. Matson at (203) 743-0131 or at [michael@matsonfinancialadvisors.com](mailto:michael@matsonfinancialadvisors.com).

MFA financial advisors are prohibited from recommending to clients, or recommending buys or sells for client accounts, any securities in which MFA or one of its related persons has a material financial interest. This would present a conflict of interest.

MFA and its financial advisors may buy or sell securities that MFA also recommends to clients. As these situations present a conflict of interest, MFA has established the following policies and restrictions:

No MFA financial advisor may buy or sell securities for their personal portfolios if the decision is substantially derived, in whole or in part, by reason of his or her association with MFA unless the information is also available to the investing public upon reasonable inquiry. No MFA financial advisor may prefer his or her own interests to those of MFA advisory clients.

MFA maintains a list of all securities holdings, updated quarterly, for all MFA personnel who are considered access persons.

MFA emphasizes the unrestricted right of clients to decline to implement any recommendation or advice rendered.

Clients must always receive the best price, in relation to MFA or its financial advisors, on same-day transactions. MFA and its financial advisors must give priority on all purchases and sales of securities to MFA clients, prior to the execution of transactions for their proprietary accounts, and personal trading must be conducted so as not to conflict with the interests of clients. While the scope of these actions are difficult to define, they would include each of the following prohibited situations:



Contemporaneously purchasing the same securities as a client without making an equitable allocation of the securities to the client first, on the basis of considerations such as available capital and current positions;

Knowingly purchasing or selling securities, directly or indirectly, in such a way as to injure a client transaction;

Using knowledge of securities transactions by a client to profit personally, directly or indirectly, by the market effect of the transactions; and

Giving any person information not generally available to the public about contemplated, proposed, or current purchases or sales of securities by or for a client account, except to the extent necessary to effectuate client transaction.

All confirmations, statements, and other information regarding personal securities transactions and personal account holdings will be reviewed to monitor compliance with this policy. Reviews will be conducted by the chief compliance officer or a designee, with documentation to substantiate the review maintained in the MFA compliance files. MFA reserves the right to require any of its financial advisors to reverse, cancel, or freeze, at his or her own expense, any transaction or position in a specific security if MFA believes that the transaction or position violates its policies or appears improper. As part of the review process, the chief compliance officer will assess whether the MFA financial advisors (1) followed required procedures and (2) is trading for his or her own account in the same securities that he or she is trading for clients, and, if so, whether the clients are receiving terms as favorable as the MFA financial advisor takes for himself or herself.

## **Item 12. Brokerage Practices**

MFA does not have the discretionary authority to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of securities to be bought or sold, the broker-dealer to be used, or the commission rates or other charges to be paid. MFA will assist clients in opening one or more brokerage accounts with Cetera for these purposes. When placing portfolio transactions for client accounts, the primary objective of MFA is to obtain the best price and best execution, taking into account costs, promptness of execution, and other qualitative considerations. In reviewing the factors for best execution, MFA takes into consideration execution capability, commission rates, the value and ease of use of any technology provided to MFA and its clients, the financial stability of the broker-dealer, the ability to hold securities that clients desire to transfer into their brokerage accounts, and the general responsiveness of the broker-dealer to field inquiries. MFA determines in good faith that the amount of trading costs charged is reasonable in relation to the value of the brokerage services provided.

During the account opening process, Cetera will be authorized to establish a custodial account with Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, One Pershing Plaza, Jersey City, New Jersey 07399. MFA believes that Pershing LLC offers substantial financial strength and stability, economies of scale, and reliable, state-of-the-art technology. MFA clients may pay trading costs in amounts greater than another broker-dealer may charge.

MFA does not benefit from research and soft-dollar benefits. Neither MFA nor its financial advisors receive client referrals from a broker-dealer.

MFA does not require that a client direct MFA to execute transactions through a specified broker-dealer.

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

Financial planning, overall wealth management, and investment guidance requires a regular review of a the financial and investment situation of each client. Although a client may engage MFA in the review of his or her overall financial condition on a more frequent basis, MFA encourages clients at a minimum to participate in an annual review of their financial situation. Reviews can be conducted face-to-face or electronically through telephone or video connection at the request and convenience of the client. Discussions during financial planning review meetings may result in an update to client planning priorities.

Reviews are performed by MFA investment adviser representatives whose education and business backgrounds are described in brochure supplements in the form of Part 2B of Form ADV. The number of accounts assigned to any investment adviser representative is less than 250.

Other factors in the financial life of a client may trigger a review, in addition to the annual review. These factors include, but are not limited to, a change in employment, marital status, inheritance, or number of dependents, the death of family member, education planning, family care obligations, unexpected expenses, a significant change in income, employer-issued stock grants or options, or disability.

Clients receive account statements reflecting holdings and transactions that are generated and made available through a mailing or electronic access (as selected by the client) from the account custodian, Pershing LLC, generally monthly but no less than quarterly. A client may also receive a confirmation via mail or electronically (as selected by the client) of each transaction executed in accounts advised by MFA directly from the account custodian.

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

This item is not applicable.

### **Item 15. Custody**

Client assets in accounts managed by MFA will be maintained with Pershing LLC as account custodian. Other qualified custodians may custody client assets. MFA does not have physical custody of client assets. Clients are solely responsible for paying all fees or charges of the custodian. Clients authorize MFA to give the custodian instructions for the purchase, sale, conversion, redemption, exchange, or retention of any security, cash or cash equivalent or other investment for accounts managed by MFA. Clients also authorize MFA to instruct the custodian to provide MFA with access to copies of all periodic statements and other reports for such accounts that the custodian sends to clients.

In accordance with MFA invoicing procedures, the custodian is advised of the amount of the fees to be deducted from client accounts. The custodian does not calculate the amount of the fees to be deducted, so clients should carefully review all account statements prepared by the custodian to verify the accuracy of the calculation. MFA urges clients to carefully compare information provided in account statements, including activity, holdings, and value.

**Item 16. Investment Discretion**

This item is not applicable.

**Item 17. Voting Client Securities**

MFA does not vote proxies on behalf of its clients. Therefore, although MFA may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities will be voted and for making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other events pertaining to client investment assets. If clients require assistance in completing proxy materials, MFA will assist if able. A client who desires assistance should call his or her financial advisor at (203) 743-0131. MFA is not responsible for handling client claims in class-action lawsuits involving securities owned by clients.

**Item 18. Financial Information**

This item is not applicable.

**Item 19. Requirements for State-Registered Advisers**

This item is not applicable.