

# DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1

**Part 2A of Form ADV: Firm Brochure**

**Firm IARD/CRD #: 136380**



*Vision for the road ahead*

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This Disclosure Brochure provides information about the qualifications and business practices of Griffith & Werner, Inc., which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Griffith & Werner, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that Griffith & Werner, Inc. has attained a certain level of skill or training.

BROCHURE  
DATED

**1  
DECEMBER  
2019**

## MATERIAL CHANGES

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ITEM 2

SEC Rule 204-3(b)(2) allows us to provide you with a summary page of Material Changes in lieu of sending out our entire Disclosure Brochure. If you are being offered this Material Change page as a separate piece from our Disclosure Brochure and you have questions about these summary disclosures or would like a current copy of our Disclosure Brochure to review, **you may contact us, and a current, complete Disclosure Brochure will be sent free of charge.**

There are no material changes to report. This Disclosure Brochure has been reviewed and is current as of the date indicated on the cover.

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### GRIFFITH & WERNER, INC.

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This brief is being provided to you as a summary of what has been fully disclosed in our Disclosure Brochure dated December 1, 2019. The information contained on this Material Change page has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator.

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## BROCHURE SUPPLEMENTS

## ADVISORY BUSINESS

### Who We Are

Griffith & Werner, Inc. is a registered investment advisor<sup>1</sup> offering personalized portfolio management and financial planning services to assist you, our client<sup>2</sup>, with creating financial stability and security and the financial independence you desire.

### Our History

Griffith & Werner, Inc. (hereinafter referred to as “the Company”, “we”, “us” and “our”) has been offering advisory services since the inception of our firm in March of 1983.

### Owners

The Company is controlled by the following persons:

Name	Title	CRD#
Gregory S. Phelps	President & Chief Compliance Officer	4845819

### Assets Under Management

As of December 1, 2019, our assets under management totaled:

Client Discretionary Managed Accounts .....	\$127,423,000
Client Non-Discretionary Managed Accounts .....	\$1,277,000

### Our Mission

Our mission is simple: to learn more about you, understand your needs, wants, and goals, and help you identify the personal finance strategies that may improve your lifestyle today and provide the foundation for a sound retirement in the years ahead.

We do everything in our power to keep you focused on where you want to go, offer advice on how to get there, and continually remind you of the importance of maintaining a disciplined approach to realizing your dreams.

### What We Do

We offer financial solutions that stress fiscal responsibility and shrewd planning that is not always about the accumulation of assets, which we believe has little to do with real happiness, but what is best for your personal health and well-being. Some of the best advice we could ever offer you is that success, achievement, and contentment in life have little to do with personal wealth but are instead related to lifestyle choices. These **lifestyle choices are your**

<sup>1</sup> The term “registered investment advisor” is not intended to imply that Griffith & Werner, Inc. has attained a certain level of skill or training. It is used strictly to reference the fact that we are “registered” as a licensed “investment advisor” with the United States Securities & Exchange Commission (the “SEC”) - and “Notice Filed” with State Regulatory Agencies that may have limited regulatory jurisdiction over our business practices.

<sup>2</sup> A client could be an individual and their family members, a family office, a foundation or endowment, a corporation and/or small business, a trust, a guardianship, an estate, another fiduciary or any other type of entity to which we choose to give investment advice.

**unique values, life goals, and plans.** Therefore, the economic solutions we develop, whether investment management and/or financial planning, reflect how **you** define true wealth not us. Our services include:

### Investment Management

Depending on your monetary needs and investment objectives, time horizon, and risk tolerance, along with your unique desires, we can offer you three (3) Investment Management services. The Investment Management services are as follows:

#### Portfolio Management

Our Portfolio Management strategies focus on designing a portfolio allocation using primarily Investment Company (“mutual funds”) products and Exchange-Traded Funds (“ETFs”) with the occasional mix of equity (“stock”) positions and fixed-income/debt (“bond”) instruments to achieve the best return on your investment capital relative to your investment parameters<sup>3</sup>. Investment parameters are defined as your personal benchmarks and tolerance to risk as outlined in your Investment Policy Statement (“IPS”).

Information regarding our management fee structure is disclosed under “Portfolio Management Fee” in Item 5, “**Fees & Compensation**” and further description of our investment strategies under Item 8, “**Methods of Analysis, Investment Strategies & Risk of Loss**”.

#### Portfolio Monitoring

We can also recommend third-party money managers (“Portfolio Managers”) for you to choose from, whose investment disciplines most closely resemble your investment objectives as outlined in your IPS. Included in your IPS is:

- ❖ An asset allocation study illustrating the balancing of investment return and risk, emphasizing spreading risk among various asset classes and investment vehicles as a classic way to increase portfolio security; and,
- ❖ A recommended Portfolio Manager to implement your asset allocation strategy.

Under these arrangements, we are not involved in the day to day management of your portfolio assets. Our responsibility will be to continuously evaluate the performance of your portfolio to ensure the Portfolio Manager adheres to the standards of your IPS and will make recommendations to you regarding the Portfolio Manager as market factors and your personal goals dictate. Information regarding our monitoring fee is disclosed under “Portfolio Monitoring Fee” in Item 5, “**Fees & Compensation**” and how we evaluate Portfolio Managers is discussed under Item 8, “**Methods of Analysis, Investment Strategies & Risk of Loss.**”

#### Investment Consulting

Investment consulting services are independent of any and all of our advisory services. Under this arrangement, we do not provide any on-going portfolio management, portfolio monitoring, or financial planning of your account. Such consulting may include, but are not limited to:

- ❖ General and/or specific advice on investment selection
- ❖ Construction of an IPS and asset allocation guideline

<sup>3</sup> You may, at any time, impose restrictions in writing on the securities we may recommend (i.e., limit the types/amounts of particular securities purchased for your account, etc.).

- ❖ Estate planning
- ❖ Insurance planning

You can find more information about our consulting services fees under “Investment Consulting Fee” below in Item 5, “**Fees & Compensation**”.

## Financial Planning

Financial planning is one of the most important tools that successful people use to create an extraordinary personal life and business career. However, it requires a lifetime commitment, not only from us, the Financial Planner, but from you as well.

### What is a Financial Plan?

Financial planning is an evaluation of the investment and financial options available to you based upon your defined lifestyle choices. Planning includes: (i) attempting to make optimal decisions; (ii) projecting the consequences of these decisions for you in the form of a financial plan - a **working blueprint**; and, (iii) implementing the protocols to achieve the objectives of the plan. Once complete the financial plan, or working blueprint, becomes the plumb-line to compare a future financial performance to be sure you are achieving your economic goals and objectives.

### Financial Planning Composition

A financial plan can be **coordinated** - a mutually defined review of your personal financial life needs; or, **targeted** - a review, analysis and evaluation of a core area of financial need. In general, our financial planning may encompass one or more of the following areas of financial need as communicated by you:

- ❖ Identify and clarify personal and family core values, mission, vision, and goals.
- ❖ Preparation of the financial plan/roadmap, which encompasses your:
  - Current financial situation.
  - Liquidity and asset preservation needs.
  - Wealth accumulation and growth.
  - Wealth distribution and transfer.

More specifically the financial plan/roadmap may include, but is not limited to the following modules:

- Financial Statements - Cash Flow and Balance Sheet.
- Savings and Emergency Reserves.
- Asset Allocation and Investment Portfolio Analysis.
- Potential Income Tax consequences in collaboration with your tax advisor.
- Risk Management and Insurance Analysis.
- Retirement and Income Analysis.
- Long-Term Healthcare.
- Estate and Family Legacy Planning.
- Business Succession Planning.
- ❖ Outline of recommendations, strategies, solutions and resources.
- ❖ Prioritizing and implementing the written action plan.
- ❖ Investment consultations that allow us to create and implement a customized investment strategy tailored to your long-term investment goals.
  - Prepare a professional investment proposal that will include a written Investment Policy Statement.
  - Access to our open-architecture platform with a variety of investment management solutions.

- ❖ Informative periodicals, market commentaries and research via e-mail and website.
- ❖ Facilitate meetings with you and/or advisors or specialists within our professional network.
- ❖ Coordinate and facilitate meetings with family members, business associates, partners or other key individuals to assist with implementing your action plan.

### Preparing the Financial Plan

We gather the necessary information to complete our analysis through personal interviews, review of various documents supplied by you, and completion of one or more profile questionnaires. Information gathered may include statements regarding your current financial status, a list of assets, insurance, wills and/or trust documents, income and expenses, Social Security eligibility, and other information<sup>4</sup> based on your financial status and future goals.

You will find more information about our financial planning fees under “Financial Planning Fee” below in Item 5, “Fees & Compensation”.

## FEES & COMPENSATION

ITEM 5

### Portfolio Management Fee

Portfolio management is provided on an asset-based fee arrangement. Regardless of the portfolio account size, our **management fee will not exceed 1.35% annually**. The fee will be calculated **monthly** by multiplying the **aggregate fair market value** of your account on the last trading day of the prior **calendar month** by one-twelfth ( $1/12^{\text{th}}$ ) of the annual percentage rate (i.e.,  $1.35\% \div 12 = 0.1125\%$ ).

We generally require a minimum initial investment of **\$100,000** to open a managed account; however, we retain the right to **waive or reduce** this minimum if we feel circumstances are warranted.

### Protocols for Portfolio Management

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawing funds from your account(s); and (iv) other fees charged to your account(s).

### Discretion

Unless you request otherwise, we will establish discretionary trading authority on all management accounts to execute securities transactions at any time without your prior consent or advice.

At any time however, you may impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, etc.).

<sup>4</sup> All information provided by and to you will be kept entirely confidential. Such information will be disclosed to third parties only with mutual written consent or as may be permitted by law.

### Billing

Your account will be billed **monthly in arrears** based on the aggregate, fair market value of your portfolio. For **new managed accounts** opened in the middle of the month, our fee will be based on a pro-rata calculation of the fair market value of your assets managed for the monthly period. We **do not make partial refunds** of our monthly fee for asset withdrawals you make during a calendar month.

Advisory fees will be deducted first from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees.

### Fee Exclusions

The above fees for all of our portfolio management services are exclusive of any charges imposed by the custodial firm who has custody of your account; including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, such as, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for portfolio management services are separate from any fees and expenses charged on mutual fund shares by the Investment Company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as 12b-1 fees. Redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds/ETFs is contained in each mutual fund's or ETF's prospectus. You are encouraged to carefully read the fund prospectus.

For more information on the custodial firm that we will recommend to custody your portfolio accounts, see Item 12, "**Brokerage Practices**".

### Termination of Portfolio Management Services

To terminate our portfolio management services, either party (you or us) by **written notification to the other party**, may terminate the Investment Advisory Agreement at any time, provided such written notification is received **at least 15 days prior** to the date of termination (i.e.; To terminate services on October 1<sup>st</sup>, a request for termination should be received in our office by September 15<sup>th</sup>). Such notification should include the date the termination will go into effect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

**You will only be able to terminate our advisory services on the last/first day of a calendar month. We will perform one final monthly billing prior to releasing your account. Once the termination of investment advisory services has been implemented, neither party has any obligation to the other - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.**

### Portfolio Monitoring Fee

Under the arrangements with the Portfolio Managers, we are not involved in the day to day management of your portfolio assets. **Our responsibility to the Portfolio Manager(s) will be to**



ensure you meet their minimum qualifications. Once your account has been established, we will provide all administrative and clerical duties as may be required to service your account. The Portfolio Manager(s) may have little or no direct contact with you.

**Our responsibility to you** will be to continuously evaluate the performance of your portfolio to ensure the Portfolio Manager adheres to your asset allocation guidelines, as outlined in your IPS, and will make recommendations to you regarding the Portfolio Manager as market factors and your personal goals dictate.

### Portfolio Managers Fee Structure

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The Portfolio Managers who will be used to manage your account(s) will disclose their fees for management services in their Disclosure Brochures (the Portfolio Manager's ADV Part 2A: Firm Brochure or Part 2A Appendix 1: Wrap Fee Program Brochure), **which we will provide you prior to, or at the same time as, opening an account.** The fees that will be charged to your account(s) will include:

1. The Portfolio Manager's management fee;
2. Our Portfolio Monitoring fee (not to exceed 1.00%) that the Portfolio Manager **will pay us from the total management fee they collect;** and,
3. Trading commissions and/or account charges, depending on if the Portfolio Manager is "wrapping" all the fees, which may be imposed by the custodian or broker/dealer used to custody your account(s).

The Portfolio Manager's Disclosure Brochure contains all pertinent disclosures relating to their management services, fee structure for such services, and their termination provisions - **you are encouraged to carefully review these disclosures.**

### Protocols for Portfolio Monitoring

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You will want to consult the Portfolio Manager's Disclosure Brochure for their policies on how they will handle your account; such as, billing, deposits and withdrawals, fee exclusions, termination, and any other unique advisory costs associated with their service since we **do not take discretion** over the management of your account and we **do not handle any of the billing.** We will discuss these arrangements with you when we go to open your account with a Portfolio Manager; however, **you are encouraged to read their terms for management on your own - don't take our word for it!**

### Investment Consulting Fee

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Our investment consulting fee **will not exceed \$150.00 per hour** to construct an Investment Policy Statement and/or customized "No-Load" mutual fund investment portfolio. Investment consulting services are independent of our Portfolio Management, Portfolio Monitoring and/or Financial Planning services. **Under this arrangement, we do not provide any on-going management of your account or give continuous investment advice.** We will perform the desired task, but you are responsible for implementing any of the advice.

However, in the case of us preparing an asset allocation model from an IPS we prepared for you, you can contact us to schedule a quarterly review of your portfolio allocation to determine how the account is performing. We will review the account and make any recommendation, if necessary, for you to rebalance the account.

## Billing

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At minimum, we require **four (4) hours of initial consultation** to conduct an adequate interview to determine your investment needs, goals, and objectives to adequately provide the service you desire.

All consulting fees will be completely itemized in a billing statement. For the initial consultation, the fee will be due at the end of the session. Thereafter we will bill you, at the agreed upon hourly rate, should we be contacted by you for future reviews and advice on any re-balancing.

## Important Considerations

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If you were to pay \$600 (4 hours @ \$150 per hour) for the initial consultation this fee may be a higher fee than if you had us manage your investments based on a percentage of assets under management. For example, if you wanted us to design a tailored Mutual Fund asset allocation mix for your \$55,000.00 investment portfolio, our fee of \$600.00 would only include the initial consultation with no further management, monitoring, or follow-up on your account; yet, if you approached us to manage your investments for an annual fee of 1.10% (not including the 12(b)-1 fee earnings) and we waived our minimum account size, the same \$55,000.00 would generate an annual fee of \$605.00, and include continuous investment advice and the monitor of your account to be sure it was meeting your investment needs and objectives.

Therefore, if your investment portfolio is less than \$55,000.00, you may be able to retain equivalent service at lower costs by having us manage your account or approach another investment advisor.

## Termination

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Our investment consulting services can be terminated at any time.

## Financial Planning Fee

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How we charge to develop a financial plan depends on the size, complexity, and nature of your personal and financial situation and the amount of time it will take to analyze and summarize the plan and perform the services you desire.

## Planning Fees

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### Coordinated Planning

Coordinated financial planning services are offered on an **hourly rate not to exceed \$150 with a maximum fixed fee not to exceed \$2,500** for the initial engagement. Coordinated planning fees are significantly **reduced if we are providing you additional services**, such as portfolio management or portfolio monitoring services.

The coordinated planning fee will be fully disclosed up-front in a Financial Planning Agreement, which will include the cost<sup>5</sup> to review your financial information and prepare the comprehensive financial plan. We have the option to:

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<sup>5</sup> Rarely will a fee exceed those costs outlined in the Agreement. However, there can be instances where we did not contract with you to perform a particular task and therefore merit notifying you of the additional cost prior to beginning such services.

1. Require full payment up-front; or,
2. Require one-half the fee be paid at the time the Agreement is signed, with the remaining balance due upon completion of the financial plan<sup>6</sup>.

### Targeted

If you desire only targeted planning - review, analysis and evaluation of a core area of financial need - the fee will be billed at our **hourly rate not to exceed \$150<sup>7</sup>**. All fees will be completely itemized in a billing statement to you, or as otherwise predetermined in a proposal, engagement letter and/or by retainer.

## Annual Review

It is important to note that any planning is kinetic (always in motion) and alive. A financial plan is a roadmap that is only as good as how well it reflects your current economic position to then guide you on a clear path to a future financial destination. However, you can veer off course, intentionally or unintentionally, as circumstances in your life take you down another path. An annual financial plan review is designed to systematically address these unexpected diversions and continually keep you on the right road headed to your future financial destination.

### Annual Review

Once the initial financial planning services have been completed, we will establish future “Annual Review” dates. The Annual Review dates generally begin after the first anniversary will be to review and make adjustments, if necessary, to the financial plan. Together we will set the calendar dates for your future reviews; inasmuch, an Annual Review may consist of two or three visits during the calendar year.

### Annual Review Fee

**We reserve the option to waive our annual review fee if we are currently managing your investments.** If we are **not managing** your investment portfolio and you want us to review your financial plan, we will notify you of the cost to perform the desired work before commencing. Such retainer fee **will generally range from 25% to 40% of the first-year planning fee depending on the length of time since our last review and on the services, you request** (i.e., If the first-year planning fee was \$1,500, the annual review fee would be from \$375 to \$600.). However, **if you have experienced significant change in your life circumstances since the date of your previously prepared plan, the fee could be exceedingly higher.**

## Termination

### Coordinated or Targeted Planning Termination

You can terminate the Financial Planning Agreement at any time prior to the presentation of any final planning documents. We will be compensated through the date of termination for time spent in design of such financial documents at the hourly rate agreed to in the Agreement. If you have prepaid any fees, such un-earned fees will be returned on a pro-rata basis. **After the financial plan has been completed and presented to you, termination of the Agreement is no longer an option.**

<sup>6</sup> The recommendations made in a financial plan are generally completed within 30 to 45 days from you signing the Agreement. However, implementing the plan using outside professionals (i.e., attorneys, CPAs, etc...) may require additional time that is out of our control. Therefore, when we refer to the completion of the financial plan, we are referring to us (you and us) finalizing your financial benchmarks/objectives before approaching any outside professional.

<sup>7</sup> For a Targeted Financial Plan, we require a minimum of four hours consultation to address any personal and financial needs you may have.

### Annual Review Termination

Annual Review services can be terminated at any time. The Company will bill you for any services rendered from the date of the last bill up to the date of termination at the fee rate that was agreed to in the proposal, engagement letter and/or retainer agreement.

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

## TYPES OF CLIENTS

ITEM 7

The types of clients we offer advisory services to are described above under “Who We Are” in the Item 4, the “**Advisory Business**” section. Our minimum account size for portfolio management is disclosed above under “Portfolio Management Fee” in Item 5 above in the, “**Fees & Compensation**” section of this Brochure.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

### Portfolio Management - Methods of Analysis, Investment Strategies & Managing Risk

Our portfolio management services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your financial needs and investment objectives, time horizon, and risk tolerance, as outlined in your Investment Policy Statement, to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using primarily Investment Company (“mutual funds”) products and Exchange-Traded Funds (“ETFs”) with the occasional mix of equity (“stock”) positions and fixed-income/debt (“bond”) instruments to achieve the best return on your investment capital relative to your investment parameters.

#### Methods of Analysis

In analyzing mutual funds, we will use a combination of analysis techniques to guide us in our management decisions.

#### Fundamental Analysis

Fundamental analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

**RISKS** - Fundamental analysis places greater value on the long-term financial structure and health of a company, which may have little to no bearing on what is actually happening in the market place. Investing in companies with sound financial data/strength and a history of health returns can be a good long-term investment to hold in your portfolio; however, such fundamental data does not always correlate to the

trading value of the stock on the exchanges. In the short-term, the stock can decrease in value as investors trade in other market sectors.

### Technical Analysis

Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

**RISKS** - Technical analysis is charting the historical market data of a stock, taking into consideration current market conditions, to forecast the direction of a future stock price rather than using fundamental tools for evaluating a company's financial strength. Technical analysis focuses on the price movement of a security trading in the market place. This is an ideal tool for short-term investing to identify ideal market entry/exit points. However, no market indicator is absolutely reliable, and your investment portfolio can underperform in the short-term should the market indicators be incorrect.

### Cyclical Analysis

Market cycles provide historic tried and true timing mechanisms to indicate turning points in future market prices. By tracking historic data through charts and graphs we can improve entry and exit timing strategies. Coupling cyclical analysis with technical analysis helps to ensure the most favorable buy/sell signal.

**RISKS** - Cyclical data reveals regular intervals of repeated events that can be forecasted into the future to time the market on when to buy/sell a security. The risk with cyclical analysis is attempting to buy/sell a security based on a future price prediction and missing beneficial movements in price due to an error in timing. This causes harm to the value of the security being bought too high or sold too low.

**Fundamental analysis** provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while **technical analysis** is short-term focusing on the statistics generated by market activity. **Cyclical analysis** provides us with historical data on market trends to focus our technical analysis for ideal entry/exit points.

### Investment Strategies

We are not bound to a specific investment strategy or ideology for the management of your investment portfolio. We understand markets and **money made** from increased stock values has greater risk (volatility) than **money earned** from dividends (secure and stable) in income-oriented securities. Our goal is to balance making and earning money by maintaining a disciplined management approach, regardless of the strategy, so as to not sacrifice long-term goals for short term gains.

### Asset Allocation

Asset allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this we may use more narrow and aggressive asset allocation derivatives. Other features of our asset allocation strategies can utilize these portfolio-modeling structures for analyzing various possible portfolio groupings of securities.

### Modern Portfolio Theory

Modern Portfolio Theory (“MPT”)<sup>8</sup> is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT is to determine your preferred level of risk and then construct a portfolio that seeks to maximize your expected return for that given level of risk.

### Tactical Allocation Modeling

Tactical asset allocation is a dynamic investment strategy that actively rebalances a portfolio allocation mix to take advantage of short-term market pricing anomalies or strong market sectors.

### Sharpe Ratio Model

Sharpe Ratio<sup>9</sup> is a risk-adjusted measure of return often used to evaluate the performance of a portfolio. The Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility.

### Dollar-Cost Averaging

Dollar-cost averaging is the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This will gradually, over time, decrease the average share price of the security. Dollar-cost averaging lessens the risk of investing a large amount in a single investment at the wrong time.

## Managing Risk

The biggest risk to you is the risk that the value of your investment portfolio will decrease due to moves in the market. This risk is referred to as the **market risk factor**, which is made up of four primary risks:

- ❖ **Interest Rate Risk** - Interest rate risk affects the value of bonds more than stocks. Essentially, when the interest rate on a bond begins to rise, the value (bond price) begins to drop; and vice versa, when interest rates on a bond fall, the bond value rises.
- ❖ **Equity Risk** - Equity risk is the risk that the value of your stocks will depreciate due to stock market dynamics causing one to lose money.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in internationally securities can be affected by changes in exchange rates.
- ❖ **Inflation Risk** - The reduction of purchasing power of investments over time.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, electricity, etc...).

The risk factors we have cited here are not intended to be an exhaustive list but are the most common risks your portfolio will encounter. Other risks that we haven’t defined could be political, over-concentration, and liquidity to name a few. However, notwithstanding these risk factors, the most important thing for you to understand is that regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that**

<sup>8</sup> The “Portfolio Theory” was developed and introduced by Harry M. Markowitz in his paper “Portfolio Selection” published in 1952 by the *Journal of Finance* while he was working on his PhD doctoral thesis at the University of Chicago. Mr. Markowitz further refined his theory during the latter part of the 1950’s and on into the 70’s. Along the way, his theory became known as the “Modern Portfolio Theory”. Mr. Markowitz won the Nobel Memorial Prize in Economic Sciences in 1990 as a co-laureate along with William Sharpe.

<sup>9</sup> Nobel laureate and economist William F. Sharpe developed the Sharpe Ratio.



you should be willing and prepared to bear; and furthermore, past market performance is no guarantee that you will see equal or better future returns on your investment.

### **Portfolio Monitoring - Methods of Analysis, Investment Strategies & Managing Risk**

With the use of Portfolio Managers, focus of our selection and monitoring is to balance investment return and risk, with the emphasis on spreading risk among asset classes. The specific methods of analysis, investment strategies, and risk management will be handled at the discretion of the Portfolio Manager.

We will perform a due-diligence review of our current and prospective Portfolio Managers to evaluate:

- ❖ **Regulatory Oversight:** Show proper licensure as: (a) a bank/trust company, (b) an insurance company, (c) a registered investment company, or (d) a registered investment advisor. In addition, a clear track record of compliance and understanding of their fiduciary duties.
- ❖ **Track Record:** The Portfolio Manager should have at least three years of history so that performance statistics can be properly calculated.
- ❖ **Stability:** The same management team should be in place for at least two years. This reflects team unity and balance.
- ❖ **Composition:** At least 80% of the Portfolio Manager's underlying securities investments should be consistent with the broad asset class.
- ❖ **Performance:** The Portfolio Manager's investment performance should show a competitive advantage relative to their peer group in both up and down markets. This reflects an investment knowledge and understanding of the inner-workings of the securities markets.

In monitoring the investment performance of Portfolio Managers, we will utilize the above criteria to trigger when we should more closely scrutinize a particular Manager for possible replacement.

## **DISCIPLINARY INFORMATION**

ITEM 9

Neither the Company nor any of its management persons has been the subject of any criminal or civil litigation, self-regulatory organization/administrative proceeding at any time during the past ten years.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

ITEM 10

### **Insurance Company Activities & Affiliations**

All of our management persons are licensed as life and annuity insurance agents by the State of Georgia and as non-resident agents in other states. As agents, these management persons are licensed to sell insurance-related products and earn commissions from the sale of these products. A conflict of interest can potentially occur when these management persons, as trusted advisors managing your portfolio for a fee, recommend you purchase an insurance product in which they will earn a commission. This can create a situation of divided loyalty and the objectivity of the advice rendered could be subjective and create a disadvantage to you.

Therefore, keep in mind you are under no obligation to accept these management persons recommendations to purchase insurance related products. **You are free to reject their recommendation** or, if you need the insurance, to choose the insurance agency, agent, and insurance company from whom to purchase the insurance. However, if you elect to purchase the insurance, regardless of where, and from whom you purchase it, such person will be entitled to earn a commission.

For further information on the potential conflicts and economic benefits from these and other activities, see Item 14, “**Client Referrals & Other Compensation**” of this Brochure. In addition, more information about our management persons who offer financial planning services can be found in their individual “**Brochure Supplements**.”

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

### Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

#### Participation or Interest

It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by our Chief Compliance Officer, and such investment is not in violation of any SEC and/or State rules and regulations.

#### Class Action Policy

The Company, as a general policy, **does not elect to participate** in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate.



We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

## Personal Trading

Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made in an employee's account. In these situations, we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an investment advisor representative, or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Our Chief Compliance Officer reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See "Aggregating Trade Orders" under Item 12, "Brokerage Practices") may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by Chief Compliance Officer to ensure that such activities do not impact upon your security or create conflicts of interest.

## BROKERAGE PRACTICES

ITEM 12

### Custodial Services

The Company maintains a custodial relationship with TD AMERITRADE, Inc., a licensed registered broker-dealer (member FINRA/SIPC), through their division TD AMERITRADE Institutional for investment advisors. TDA offers us services, which include custody of securities, trade execution, clearance and settlement of transactions.

Our recommendation for you to custody your assets with TDA has no direct correlation to the services we receive from TDA and the investment advice we offer you, although **we do receive economic benefits for which we do not have to pay** through our relationship with TDA that are typically not available to TDA retail clients. This creates an incentive for us to recommend TDA based on the economic benefits we receive rather than on your interest in receiving most favorable execution. These economic benefits include the following products and services provided without cost or at a discount:

- ❖ Receipt of duplicate client statements and confirmations;
- ❖ Research related products and tools and consulting services;
- ❖ Access to a dedicated trading desk;

- ❖ Access to batch trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to accounts);
- ❖ The ability to have advisory fees deducted directly from accounts;
- ❖ Access to an electronic communications network for order entry and account information; and,
- ❖ Access to mutual funds and ETFs with no transaction fees and to certain institutional money managers.

**We are not a subsidiary of, or an affiliated entity of, TDA.** We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from TDA.

### **Direction of Transactions and Commission Rates (Best Execution)**

**We have a fiduciary duty to put your interests before our own.** The advisory support services we receive from TDA creates an economic benefit to us and a potential conflict of interest to you; in that, our recommendation to custody your account(s) with TDA may have been influenced by these arrangements/services. **This is not the case;** we have selected TDA as our custodian of choice based on:

1. Their competitive transaction charges, trading platform, and on-line services for account administration and operational support.
2. Their general reputation, trading capabilities, investment inventory, their financial strength, and our personal experience in working with TDA staff.

Since we do not recommend, suggest, or make available a selection of custodians other than TDA, **best execution may not always be achieved.** Therefore, **you do not have to accept our recommendation to use TDA as your custodian.** However, if you direct us to use another custodian, we may not be able to provide you complete institutional services and such service may cost you more in transaction fees.

### **Selection of Portfolio Managers**

We will make available a select group of Portfolio Managers from which you may choose to manage your account(s). We will assist you in determining which will provide the most effective financial growth based upon your stated investment objectives and risk tolerance level as outlined in your IPS. **The brokerage practices of the Portfolio Manager will be disclosed in their ADV Part 2A: Firm Brochure or Part 2A Appendix 1: Wrap Fee Program Brochure, which we will provide you prior to, or at the same time as, opening an account.**

While we have exercised our best efforts evaluating the investment performance and cost of service offered by these Portfolio Managers, we make no representation that the Portfolio Manager in which we refer you has the best investment performance or has the lowest portfolio management costs. In addition, your selection of such Portfolio Managers will be limited to those with whom we have entered into service agreements. Therefore, it is possible that you might be able to contract for similar services elsewhere or separately, with equivalent or better performance at lower cost.

### **Aggregating Trade Orders**

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for our clients. Therefore, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and (ii) no client is systematically advantaged or

disadvantaged by bunching the orders. In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition, preparing individual market orders, for the small number of accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

## REVIEW OF ACCOUNTS

ITEM 13

### Portfolio Management Reviews

The investment advisor representative responsible for your account will manage your investment strategies and monitor the performance of your account on a regular basis. The general economy, market conditions, and/or changes in tax law can trigger more frequent reviews. Cash needs will be adjusted as necessary. Material changes in your personal/financial situation and/or investment objectives will require additional review and evaluation for us to properly advise you on revisions to previous recommendations and/or services. However, it is **your responsibility to communicate these changes** for us to make the appropriate corrections to your management account(s).

You will receive statements, at least quarterly, from TDA where your account(s) are held in custody that identifies your current investment holdings, the cost of each of those investments, and their current market values.

You are encouraged to review the trading activities disclosed on your account statements which summarizes your portfolio account value, current holdings, and all account transactions made during the quarter. **It is important for you to review these documents for accurate reporting and to determine whether we are meeting your investment expectations.**

### Portfolio Monitoring Reviews

The investment advisor representative responsible for your account will monitor and evaluate the performance of the Portfolio Manager managing your account on a regular basis. We understand your goals and tolerance for risk may change over time; therefore, **even though we are not involved in any way with the day-to-day management** of your assets maintained with a Portfolio Manager(s), we will supervise your portfolio and will make recommendations to you regarding the Portfolio Manager(s) as market factors and your personal goals dictate.

### Financial Planning Reviews

The financial planner who has/is designing your financial plan will work closely with you to be sure the action points identified in the financial plan have been or are being properly executed. Once the action points have been completed, the financial plan should be reviewed at least annually. Material changes in your lifestyle choices, personal circumstances, the

general economy, or tax law changes can trigger more frequent reviews. However, **it is your responsibility to communicate these changes to us** so that the appropriate adjustments can be made.

## CLIENT REFERRALS & OTHER COMPENSATION

ITEM 14

### Referral Compensation

We may directly compensate persons for client referrals provided such persons are qualified and have entered a solicitation agreement with us as required by Rule 206(4)-3 of the Investment Adviser Act of 1940, as amended. Under such arrangements, if a solicitor referred you, the solicitor will provide you complete information on our relationship - the relationship between the solicitor and us - and the compensation the solicitor will receive should you choose to open an account. This compensation will be paid solely from our fee and will not result in any additional charge to you. In addition, we will adhere to each State's rules and regulations where the solicitor resides prior to entering into any solicitation agreement with that person.

The solicitor is not licensed to give you any investment advice and therefore cannot advise you on the management of your account. A solicitor simply makes an introduction and is compensated only if you were to open a management account with us under these arrangements.

### Other Compensation (Indirect Benefit)

The Company receives an indirect economic benefit from TDA (See "Custodial Services" above under Item 12, "Brokerage Practices" for more detailed information on these services and products could be.).

### Financial Planning Compensation

As previously mentioned, all of our investment advisor representatives ("RA") are licensed insurance agents (See "Insurance Company Activities & Affiliations" above in Item 10, "Other Financial Industry Activities & Affiliations" for more information.). This can create a conflict of interest when recommending for a fee, through a financial plan, that you purchase insurance products where a commission can also be earned.

In addition, there are also potential conflicts of interest when an RA suggests the need for outside consultations and professional services (i.e., attorneys, accountants, brokers, etc.) to implement certain aspects of a financial plan. Even though the RA does not receive any share of fees earned by the outside professionals when implementing a financial plan, it does create an incentive on his/her part to refer your business to only those entities that in turn refer potential clients to us.

In both cases, there is potential for divided loyalty and the objectivity of the advice we render could be subjective and create a disadvantage to you. Therefore, to ensure you understand the choices and risks you have in receiving financial planning along with all other investment recommendations, the following disclosures are provided to assist you with your decisions:

- ❖ Certain aspects of a financial plan may require the assistance of a registered representative of a broker-dealer to execute securities transaction and licensed

agents to purchase insurance products. In this situation, regardless of who performs the transaction(s), **such person will be entitled to earn a commission.**

- ❖ If requested by you to implement any insurance recommendations made in the financial plan, the RA will execute such transactions through those insurance companies in which he/she is a licensed insurance agent. In such cases, **the RA will receive the normal commissions associated with such insurance transactions.**
- ❖ You are under no obligation to have any professional that we recommend prepare planning documents (i.e.; financial, estate, tax, etc...). **You are free to choose those outside professionals to implement the recommendations made in the financial plan.**
- ❖ You are under **no obligation to accept** the RA's advice and purchase the insurance products he recommends. **You are free to reject his/her recommendation and make your own choice.**

Notwithstanding such potential conflicts of interest, we strive to serve your best interest and ensure such disclosure is being properly made to you in compliance with the Investment Adviser Act of 1940, Rule 275.206.

## CUSTODY

ITEM 15

### Management Fee Deduction

We do not take possession of or maintain custody of your funds or securities but will simply monitor the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical possession and custody of your funds and/or securities are maintained with TD AMERITRADE, Inc. as indicated above in Item 12, "Brokerage Practices."

We are however defined as having custody since you have authorized us to deduct our advisory fees directly from your account. Therefore, to comply with the United States Securities and Exchange Commission's Custody Rule (1940 Act Rule 206(4)-2) requirements, and to protect you as well as to protect our advisory practice, we have implemented the following regulatory safeguards:

- ❖ Your funds and securities will be maintained with a qualified custodian (TDA) in a separate account in your name.
- ❖ Authorization to withdrawal our management fees directly from your account will be approved by you prior to engaging in any portfolio management services.

The custodian who will have custody of your account is required by law to send you, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. **You are encouraged to compare the financial data contained in our report with the financial information disclosed in your account statement from the custodian to verify the accuracy and correctness of our reporting.**

## INVESTMENT DISCRETION

ITEM 16

### Securities & Amount Bought or Sold

Unless you request otherwise, we have you complete our Investment Advisory Agreement which sets forth our discretionary trading authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

You may, at any time, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.).

## VOTING CLIENT SECURITIES

ITEM 17

**We do not vote client proxies.** You understand and agree that you retain the right to vote all proxies, which are solicited for securities held in your managed accounts. Any proxy solicitations inadvertently received by us will be immediately forwarded to you for your evaluation and decision.

However, if you have specific questions regarding an action being solicited by the proxy that you do not understand, or you want clarification, you may contact us, and we will explain the particulars. **Keep in mind we will not advise you in a direction to vote; the ultimate decision on how you vote is your responsibility and left to you to decide.**

## FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take physical custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

We are not aware of any current financial conditions that are likely to impair our ability to meet our contractual commitments to you.

## END OF DISCLOSURE BROCHURE