

## **Silver Oak Advisory Group, Inc.**

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**March 25, 2015**

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

Silver Oak Advisory Group, Inc. is an investment adviser registered with the Securities and Exchange Commission. An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Silver Oak Advisory Group, Inc. If you have any questions about the contents of this brochure, please contact us at (503) 242-1715; or by email at: [compliance@silveroak.net](mailto:compliance@silveroak.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Silver Oak Advisory Group, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes - Item 2**

The purpose of this page is to inform you of any material changes since the previous version of this brochure.

On March 25, 2015, we submitted our annual updating amendment for fiscal year 2014 and amended Item 4 of our Form ADV Part 2A Brochure to reflect discretionary assets under management of \$164,658,645 and non discretionary assets under management of \$9,878,179.

We review and update our brochure at least annually to make sure that it remains current.

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#### Advisory Business - Item 4

Silver Oak Advisory Group, Inc. (hereinafter "Silver Oak") is a registered investment adviser based in Portland, Oregon. We are organized as a Corporation under the laws of the State of Oregon. We have been providing investment advisory services since 1991. Jessica M. Howe and Benjamin E. Gilbert are the principal owners of Silver Oak.

Silver Oak provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. We give advice through consultation with the client and projects may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning. Investment advice is an integral part of financial planning.

Silver Oak is strictly a fee-only financial planning and investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Our primary investment strategy is based on the critical influence of the asset allocation of a portfolio. We believe it is the particular mix of fixed income and equity investments that explains and produces a portfolio's rate of return and degree of fluctuations in value. We study research and utilize software to design mixes of asset classes whose correlation coefficients attempt to obtain an appropriate level of return per unit of acceptable fluctuation or risk. "Correlation coefficients" means that one asset class will have a different pattern of return from another asset class; in simple terms, one investment may be going up in value while another is going down. The goal is to have a mix so the entire portfolio is not going down at the same time, while growing at a desired rate.

We provide investment advice, with the client making the final decision on investment selections. Silver Oak does not act as a custodian of client assets. Our firm may take limited discretionary authority for the purpose of rebalancing client accounts. Clients always maintain control of their assets. Silver Oak places trades for clients under a limited power of attorney.

An evaluation of each client's initial situation is provided to the client. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is an exploratory interview to determine the extent to

which financial planning and investment management may be beneficial to the client.

### **Types of Advisory Services**

Silver Oak provides investment supervisory services, also known as asset management services; furnishes investment advice through consultations; and provides client education on investment and financial planning issues.

Silver Oak also furnishes advice to clients on matters not involving securities, such as financial planning matters.

### **Tailored Relationships**

Services are tailored for each client relationship. For management clients, investment policy statements are created that reflect the stated goals and objectives for the portfolio. Clients may impose restrictions on investing in certain securities or types of securities. Agreements may not be assigned without client consent.

### **Types of Services**

The following agreements define the typical client relationships:

#### **Financial Planning**

Silver Oak designs and produces financial plans to help clients with all aspects of financial planning, without ongoing investment management.

The financial plan may include some or all of these: a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for further advice, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations. Silver Oak may also provide hourly planning services for clients who need advice on a limited scope of work.

We provide detailed investment advice and specific recommendations as part of a financial plan. It is up to the client to implement the recommendations or not.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary.

Clients may implement the investment recommendations provided by Silver Oak in a financial plan with other brokers or money managers that are not affiliated with our firm, or on their own.

#### **Portfolio Management**

Clients may choose to have Silver Oak manage their assets in order to obtain ongoing portfolio management and financial life planning. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

Our primary investment strategy is based on the critical influence of the asset allocation of a portfolio. We study research and utilize software to design mixes of asset classes whose correlation coefficients act to obtain the most return per unit of acceptable fluctuation or risk. Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies. A "buy and hold" strategy with regular re-balancing keeps the trading costs down and the allocation in line over time.

Investments may also include: equities (stocks), corporate debt securities, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), and U.S. government securities. Initial public offerings (IPOs) are not available through Silver Oak.

The scope of work and fee for a Portfolio Management Agreement is provided to the client in writing prior to the start of the relationship. A Management Agreement includes: cash flow assistance; portfolio management and performance reporting; necessary financial planning; and assistance with the implementation of recommendations within each area.

#### **Assets Under Management**

As of December 31, 2014, we manage \$164,658,645 in client assets on a discretionary basis, and \$9,878,179 in client assets on a non-discretionary basis.

#### **Fees and Compensation - Item 5**

Silver Oak bases its fees on a percentage of assets under management, hourly charges, or fixed fees.

##### **Financial Planning Fees**

The fee for a financial plan is based upon the facts known at the start of the engagement and the complexity of the project. Financial planning services are billed at the rate of \$150 to \$300 per hour, or a flat fee agreed upon and set forth in the Financial Planning Agreement.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

Fees for financial plans are billed \$500 in advance, with the balance due upon delivery of the financial plan. Silver Oak may also offer a general consulting service on a hourly basis. The fee for such service is payable upon completion of the consulting session.

##### **Portfolio Management Fees**

The annual Portfolio Management Agreement fee is based on a percentage of the managed assets according to the following schedule:

0.95% on the first \$1,000,000;  
0.60% on the assets above \$1,000,000

The minimum annual fee is \$4,000, depending on the size and complexity of the engagement. Fees are generally negotiable and may be less for larger client relationships and for non-profit and long-term clients. Current client relationships may exist where the fees are lower than the fee schedule above.

Investment management fees are billed quarterly, in arrears, meaning that we invoice you after the three-month billing period has ended. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing, with the client's consent.

#### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Silver Oak, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., non-profit clients, length of relationship, type of assets, dollar amounts of assets to be managed, related accounts, account composition).

#### **Expense Ratios**

Mutual funds and exchange traded funds generally charge a management fee for their services to run the fund. The management fee is called an expense ratio. For example, an expense ratio of 0.50% means that the mutual fund company charges one-half of one percent annually for their services. These fees are in addition to the fees paid by you to Silver Oak.

#### **Past Due Accounts and Termination of Agreement**

The client or the investment manager may terminate an agreement by 30 days written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

Silver Oak reserves the right to stop work on any account that is more than 60 days overdue. In addition, Silver Oak reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in Silver Oak's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 60 days.

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

Performance based fees are based on a share of capital gains on or capital appreciation of the client's assets.

Silver Oak does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment

that may carry a higher degree of risk than is suitable for the client.

#### Types of Clients - Item 7

##### **Description**

Silver Oak generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations or business entities.

##### **Account Minimums**

For ongoing portfolio management services, Silver Oak charges a minimum annual fee of \$4,000 depending on the size and complexity of the engagement.

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

##### **Methods of Analysis**

The main sources of information for security analysis include professional investment research and reports, financial books, publications and professional journals, Morningstar Principia mutual fund and stock information, Charles Schwab & Company, and the World Wide Web.

##### **Investment Strategy**

Our primary investment strategy is based on the critical influence of the asset allocation of a portfolio. We believe it is the particular mix of fixed income and equity investments that explains and produces a portfolio's rate of return and degree of fluctuations in value. We study research and utilize software to design mixes of asset classes whose correlation coefficients act to obtain the most return per unit of acceptable fluctuation or risk. "Correlation coefficients" means that one asset class will have a different pattern of return from another asset class; in simple terms, one investment may be going up in value while another is going down. The goal is to have a mix so the entire portfolio is not going down at the same time, while growing at a desired rate.

Portfolios are globally diversified across major asset classes of fixed income and equities to minimize the risk associated with traditional markets. Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies. A "buy and hold" strategy with regular re-balancing keeps the trading costs down and the allocation in line over time.

The investment allocation for a specific client is individually designed, and is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy. We do not use "model" portfolios or allocations.

##### **Risk of Loss**

Silver Oak does not want a client to take on more risk than they need to, to meet their financial goals.



However, **Investing in securities involves risk of loss that clients should be prepared to bear.** There is no "risk free" investment. Our investment approach constantly keeps the risk of loss in mind.

Investors face the following investment risks, which Silver Oak attempts to minimize through prudent portfolio diversification:

- **Interest-rate Risk:** Changes in interest rates may cause investment prices to fluctuate. For example, when interest rates rise for new bonds, the market value lower yielding older bonds can decline. If you wanted to sell that older bond before its maturity date, you might get less than what you paid for it. If however interest rates are lower for new bonds, someone may be willing to pay you more for your older, higher-yielding, bond.
- **Market Risk:** The price of any security may drop in reaction to tangible and intangible events and conditions. This type of risk is associated with external factors such as political, economic and social conditions. These events can result in market declines, even though the underlying security is financially unchanged.
- **Inflation Risk:** When any type of inflation is present, a dollar in the future will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk 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.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like. This primarily relates to equities or stocks.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many buyers are available on short notice or if it is a standardized product. For example, Treasury Bills are highly liquid, while individual real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations decreases its 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 a declining market value.

#### Disciplinary Information - Item 9

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There is no history of reportable legal or disciplinary events by our firm or our management persons.

#### **Other Financial Industry Activities or Affiliations - Item 10**

We do not have any relationship or arrangement with other professionals that is material to our advisory business which creates any conflict of interest, nor do we receive any form of compensation from other firms or professionals.

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

##### **Description of Our Code of Ethics**

Silver Oak has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes Silver Oak's policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics.
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

A copy of Silver Oak's Code of Ethics is available upon request to Benjamin E. Gilbert, CCO, at (503) 242-1715; or by email at: [compliance@silveroak.net](mailto:compliance@silveroak.net).

##### **Personal Trading Practices**

At times Silver Oak and/or its Advisory Representatives may take positions in the same securities as clients, which may pose a conflict of interest with clients. We will not violate our fiduciary responsibilities to our clients. Front running (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality, disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

The Chief Compliance Officer of Silver Oak is Benjamin E. Gilbert. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

## **Brokerage Practices - Item 12**

### **Selecting Brokerage Firms**

Silver Oak does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. Silver Oak recommends custodians based on the proven integrity and financial responsibility of the firm, the best execution of orders at reasonable commission rates, convenience and customer service, and access to desired investment products.

Silver Oak recommends discount brokerage firms and trust companies (qualified custodians), such as Charles Schwab & Co. and Vanguard Brokerage. Silver Oak does not receive fees or commissions from any of these arrangements.

We do not receive any referrals or payments from the brokerage firms or trust companies we recommend to clients, other than the minor benefits listed below in Soft Dollars.

### **Best Execution**

Silver Oak reviews the execution of trades at each custodian at least annually. The review is documented in the Silver Oak *Compliance Manual*. Trading fees charged by the custodians are also reviewed on an annual basis. Silver Oak does not receive any portion of the trading fees charged by custodians.

### **Soft Dollars**

Silver Oak receives an annual software maintenance credit from Charles Schwab & Company because some client assets are custodied at Schwab. This credit offsets annual maintenance fees for our portfolio management software. All clients benefit from this credit as it reduces the firm's overall expenses. The selection of Charles Schwab & Company as a custodian for clients is not affected by this nominal credit.

We participate in Charles Schwab's Institutional Service Program, which provides other benefits such as: receipt of duplicate client confirmations and statements; access to a trading desk serving institutional participants exclusively; ability to have investment management fees deducted directly from client accounts; receipt of compliance publications; and access to mutual funds which generally require significantly higher minimum initial purchase requirements or are generally available only to institutional investors.

### **Order Aggregation**

We do not use order aggregation for our clients, because most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit. Additionally, we rarely trade the same fund in more than one client account at a time.

### Review of Accounts - Item 13

#### **Periodic Reviews**

For portfolio management clients, advisors review client accounts at least quarterly or semi-annually, depending on the engagement. Account reviews are performed more frequently when market conditions dictate, such as when the overall markets drop by more than 10% in a single day.

In addition, management clients may receive an updated financial plan after they have been with the firm for some period of time or as their life circumstances have changed.

#### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

#### **Regular Reports**

Portfolio management clients receive quarterly or semi-annual portfolio updates. The written updates include performance information, as well as current and target asset allocations.

All client assets are held at qualified custodians, and they provide account statements directly to clients at their address of record, usually monthly and at least quarterly.

### Client Referrals and Other Compensation - Item 14

#### **Incoming Referrals**

Silver Oak has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

#### **Referrals Out**

Silver Oak does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

### Custody - Item 15

Silver Oak is deemed to have custody solely because of our ability to deduct fees from client accounts.

Clients will receive account statements at least quarterly from the broker-dealer or other qualified custodian. Clients are urged to compare custodial account statements with performance reports delivered by our firm for accuracy. Minor variations may occur because of reporting dates, accrual methods of interest and dividends, and other factors.

#### Investment Discretion - Item 16

Silver Oak will accept limited discretionary authority for the purpose of rebalancing client accounts. We will exercise discretionary authority only if the client has granted us such authority in the client advisory agreement. Discretionary authority extends to the type and amount of securities to be bought and sold and do not require advance client approval. We do not have the ability to make third party withdrawals from the client's account.

In a non-discretionary account, we will only purchase or sell securities which have been approved by clients in advance. In some cases, we may provide you with a list of recommended transactions that you can review, approve and execute in your account.

The client approves the custodian to be used and the transaction fees paid by the client to the custodian on certain trades. Silver Oak does not receive any portion of the transaction fees paid by the client to the custodian.

#### Voting Client Securities - Item 17

Silver Oak does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian. Questions about proxies may be made via the contact information on the cover page.

#### Financial Information - Item 18

We are required in this Item to provide you with certain financial information or disclosures about Silver Oak's, financial condition. Silver Oak does not require the prepayment of over \$1,200, six or more months in advance. Additionally, Silver Oak has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

#### Requirements of State-Registered Advisers - Item 19

This section is intentionally left blank since Silver Oak is SEC registered.

### Miscellaneous

#### **Disaster Recovery and Business Continuity Plan**

##### *General*

Silver Oak has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

##### *Disasters*

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, water damage, fire, bomb threat, nuclear emergency, chemical event, biological event, telecommunications line outage, Internet outage, railway or aircraft accident. Electronic files are backed up daily and archived offsite.

##### *Alternate Offices*

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

##### *Loss of Key Personnel*

Silver Oak has signed a Business Continuation Agreement to support Silver Oak in the event of serious disability or death of either Jessica M. Howe or Benjamin E. Gilbert.

#### **Information Security Program**

Silver Oak maintains an internal information security program to reduce the risk that clients' personal and confidential information may be breached.

#### **Privacy Notice**

Silver Oak is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We do not give your name to prospective clients as a reference unless you have previously given us permission to do so. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

If you have any questions about our privacy policy, please contact us at (503) 242-1715; or by email at: [compliance@silveroak.net](mailto:compliance@silveroak.net).