

Part 2A of Form ADV: *Firm Brochure*



**Lighthouse Financial Planning, LLC**

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03/30/2012

This brochure provides information about the qualifications and business practices of Lighthouse Financial Planning, LLC. If you have any questions about the contents of this brochure, please contact us at 916-932-7200 or [LFPinfo@lighthousefinancialplanning.com](mailto:LFPinfo@lighthousefinancialplanning.com). 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 Lighthouse Financial Planning, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 114093.

## **Item 2 Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/30/2012, is our new disclosure document prepared according to the SEC's new requirements and rules. As a state-registered investment advisor, our firm is required to comply with the new reporting and filing requirements. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## **Item 4 Advisory Business**

Lighthouse Financial Planning, LLC is an SEC registered investment advisor with its principal place of business located in California. Lighthouse Financial Planning, LLC began conducting business in 1998.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- James Richard Johnson, CFP; Managing Member; Chief Investment Officer; Chief Compliance Officer

Lighthouse Financial Planning, LLC offers the following advisory services to our clients:

### **WEALTH MANAGEMENT/FINANCIAL LIFE PLANNING (FINANCIAL PLANNING AND ASSET MANAGEMENT RETAINER)**

This program is designed to support you in aligning and monitoring your finances so you can achieve what you want in life. It provides ongoing in-depth financial planning and asset management services.

Wealth Management/Financial Life Planning is more suited for those who are well on the way to achieving their goals and dreams with significant savings and investments.

Typical Wealth Management/Financial Life Planning clients are either planning for or experiencing life transitions. These clients have accumulated, received or are receiving a good deal of money/investments. Perhaps there are complexities that you want support and advice with.

Wealth Management/Financial Life Planning clients tend to be over 50 years-old with assets well over \$500,000.

Annual Financial Planning Fee: A fixed annual fee based on the complexity of the client situation. Minimum \$3,000 per year

Asset Management Fee: 0.50% of the first \$1,000,000, 0.40% of the second \$2,000,000 and 0.30% of the amount over \$3,000,000

### **WEALTH ACCUMULATOR PLANNING**

Wealth Accumulator Planning is more suited for those who have the desire to pursue their goals and dreams. Wealth Accumulator Planning provides you the support to align your finances with your goals and passions with ongoing monitoring to ensure success.

The Wealth Accumulator Planning service is typically geared for those well established in their careers and who are preparing for the future. Typical concerns may include saving for

retirement, taking full advantage of employer provided benefits, family protection for unforeseen problems, planning for children's education needs, career transitions and/or changes and small business issues. Clients are typically successful mid-career people in the 35-50 age bracket and have income over \$100,000.

One time set-up fee: \$500 to \$2,500

Monthly fee: \$125

Asset Management Fee: 0.75% up to \$100,000; 0.60% over \$100,000 up to \$250,000; 0.50% over \$250,000 up to \$500,000

There is a 20% discount on the monthly fee for single income families.

### **FINANCIAL PLANNING**

We provide financial planning services, in the form of comprehensive plans, projects, and/or consultations to clients for an hourly or a fixed fee. Financial planning services include, but are not limited to the following:

- Prepare a comprehensive financial plan
- Prepare a retirement planning projection
- Prepare a portfolio analysis
- Prepare a periodic review

Our financial planning process begins with a comprehensive evaluation of a client's current financial status. Once a solid assessment has been completed, then projections are made about future possible outcomes by using known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed assessment of their current financial status and plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.

- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

As part of our process we gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## **ASSET MANAGEMENT / INVESTMENT SUPERVISORY SERVICES MODEL PORTFOLIO MANAGEMENT**

Our firm provides portfolio management services to clients using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal. The different models are designed to provide a range of expected rates of return for differing amounts of relative risk. The primary distinction for the various models is the ratio of equity (stock related) investments to fixed income (bond related) investments.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Through personal discussions with the client in which the client's goals and objectives are established, we determine if the model portfolio is suitable to the client's circumstances. Once we determine the suitability of the portfolio, the portfolio is managed based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

Our investment recommendations are primarily no-load mutual funds; however, we are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable annuities
- Mutual fund shares
- United States governmental securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. On a periodic basis, typically at least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
2. Be reasonably available to consult with the client; and
3. Maintain client suitability information in each client's file.

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2011, we were actively managing \$49,273,377 of clients' assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **WEALTH MANAGEMENT/FINANCIAL LIFE PLANNING (FINANCIAL PLANNING AND ASSET MANAGEMENT RETAINER)**

Annual Financial Planning Fee: A fixed annual fee based on the complexity of the client situation. Minimum \$3,000 per year

Asset Management Fee: 0.50% of the first \$1,000,000, 0.40% of the second \$2,000,000 and 0.30% of the amount over \$3,000,000.

The combined Financial Planning and Asset Management minimum fee is \$5,000 per year.

### **WEALTH ACCUMULATOR PLANNING**

One time set-up fee: \$500 to \$3,000

Monthly fee: \$125

Asset Management Fee: 0.75% up to \$100,000; 0.60% over \$100,000 up to \$250,000; 0.50% over \$250,000 up to \$500,000.

There is a 20% discount of the monthly fee for single income families.

### **FINANCIAL PLANNING**

An hourly rate from \$75/hour up to \$400/hour, or a fixed fee ranging from \$2,000 to \$20,000 will be charged for financial planning services. The hourly fee or fixed fee will be negotiated with each client, based on the complexity of the client's financial situation and the services to be provided. Fees will be determined in advance and disclosed in the client agreement. A retainer fee may be charged in advance for services to be provided. The amount of the retainer fee will be determined based on the complexity of the client's financial situation and the nature of the services to be provided and disclosed in the client agreement.

Each fee and the amount of the retainer are determined based on the complexity of the client's financial situation, the nature of services to be completed, and the amount of time involved to complete such work.

We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$500 for work that will not be completed within six months. The balance is due upon completion of the plan.

Services terminate upon presentation or implementation of the plan document. Clients may terminate services at any time by notifying LFP and receive a prorated refund (issued based



on the time and effort expended prior to receipt of such notice of termination) of any fees paid in advance. The client will have five (5) business days from the day the client agreement is signed to terminate the agreement and receive a full refund of any fees paid in advance.

### **ASSET MANAGEMENT / INVESTMENT SUPERVISORY SERVICES MODEL PORTFOLIO MANAGEMENT**

The annualized fee for Model Portfolio Management Services will be charged as a percentage of assets under management, according to the following schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
Amount of Assets	Rate
Up to \$1,000,000	1.00%
Next \$1,000,000	.75%
Additional Above \$2,000,000	.50%

Lighthouse Financial Planning, LLC's advisory fees are not negotiable.

Fees are agreed upon prior to entering into a contract with any client.

### **GENERAL INFORMATION**

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. Clients should be aware, however, that the value of asset management services is best realized over at least a three (3) year period. If notice of termination is received within five (5) business days of signing the client agreement, the client will receive a full refund of any prepaid fees. After the initial five (5) business days, a refund of any fees paid in advance will be given on a prorated basis, for Financial Planning Services based on the amount of time and work completed and for Asset Management Service based on the number of days of services provided for the calendar quarter in which notice of termination is received.

**Mutual Fund Fees:** All fees paid to Lighthouse Financial Planning, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client

may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Wrap Fee Programs and Separately Managed Account Fees:** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Grandfathering of Minimum Account Requirements:** Pre-existing advisory clients are subject to Lighthouse Financial Planning, LLC's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts:** Lighthouse Financial Planning, LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Lighthouse Financial Planning, LLC may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees; however, only when such fees are used to offset Lighthouse Financial Planning, LLC's advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

Lighthouse Financial Planning, LLC does not charge performance-based fees.

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

Lighthouse Financial Planning, LLC provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)

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

##### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Mutual Fund and/or Exchange Traded Fund (ETF) Analysis.*** These are the primary types of securities we use to build client portfolios. We begin with a quantitative screening of similar mutual funds and/or ETF, looking at several performance, risk and expense numbers. We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We then seek to understand the manager's investment philosophy and strategy.

We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Quantitative Analysis.** We use mathematical models in an attempt to obtain more accurate measurements of a mutual fund and/or EFT's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management, company culture, and strength of research capability not readily subject to measurement.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular market or industry against the overall market in an attempt to predict the price movement of the market or industry.

**Risks for All Forms of Analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term Purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

### Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

### Item 10 Other Financial Industry Activities and Affiliations

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Lighthouse Financial Planning, LLC and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports, as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and record keeping provisions.

Lighthouse Financial Planning, LLC's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

We also require our employees adhere to CFP Board Code of Ethics, the National Association of Personal Financial Advisors (NAPFA) Code of Ethics and the Financial Planning Association (FPA) Code of Ethics.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [jim.johnson@lighthousefinancialplanning.com](mailto:jim.johnson@lighthousefinancialplanning.com), or by calling us at 916-932-7200.

## **Item 12 Brokerage Practices**

Lighthouse Financial Planning, LLC does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

Lighthouse Financial Planning, LLC requires that clients provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to our clients for these transactions.

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

As a matter of policy and practice, Lighthouse Financial Planning, LLC does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

Lighthouse Financial Planning, LLC currently recommends clients open accounts with one or more of three brokerage firms: Fidelity Institutional Wealth Service, Schwab Institutional division of Charles Schwab & Co., Inc and TD Ameritrade Institutional. We will recommend the appropriate brokerage firm for each client's situation.

## **Fidelity Institutional Wealth Service**

Lighthouse Financial Planning, LLC has an arrangement with Fidelity Institutional Wealth Service (together with all affiliates, "Fidelity") through which Fidelity provides our firm with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Lighthouse Financial Planning, LLC in conducting business and in serving the best interests of our clients but that may also benefit us.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables Lighthouse Financial Planning, LLC to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Lighthouse Financial Planning, LLC (within specified parameters).

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of Lighthouse Financial Planning, LLC's clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while Lighthouse Financial Planning, LLC will seek competitive rates to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Lighthouse Financial Planning, LLC and Fidelity are not affiliated

## **Schwab Institutional division of Charles Schwab & Co., Inc**

Lighthouse Financial Planning, LLC may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Lighthouse Financial Planning, LLC is independently owned and operated and not affiliated with Schwab.

Schwab provides Lighthouse Financial Planning, LLC with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit Lighthouse Financial Planning, LLC but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, record keeping and client reporting.



Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Lighthouse Financial Planning, LLC. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## **TD Ameritrade Institutional**

Lighthouse Financial Planning, LLC participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. Lighthouse Financial Planning, LLC receives some benefits from TD Ameritrade through our participation in the program.

Lighthouse Financial Planning, LLC participates in TD Ameritrade's Institutional customer program and we may recommend TD Ameritrade to our clients for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain Institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Lighthouse Financial Planning, LLC by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by Lighthouse Financial Planning, LLC's related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit Lighthouse Financial Planning, LLC but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by Lighthouse Financial Planning, LLC through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by Lighthouse Financial Planning, LLC or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade for custody and brokerage services.

## **Item 13 Review of Accounts**

### **ASSET MANAGEMENT / INVESTMENT SUPERVISORY SERVICES MODEL PORTFOLIO MANAGEMENT REVIEWS**

While the underlying securities within Model Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least monthly. Accounts are reviewed in the context of the investment objectives and guidelines of each model portfolio, as well as any investment restrictions provided by the client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: James R. Johnson, CFP, Debbie Grose, CFP and/or Richard P. Dee, CFP.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings. These reports will also remind the client to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

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

It is Lighthouse Financial Planning, LLC's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Lighthouse Financial Planning, LLC's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Lighthouse Financial Planning, LLC requires that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold in a client's account.

Clients give us discretionary investment authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

We will vote proxies for client accounts; however, you always have the right to vote proxies yourself. You must delegate to us the right to vote proxies on your behalf. We will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the advisor voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting James R. Johnson, CFP by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact James R. Johnson, CFP by telephone, email, or in writing.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting James R. Johnson, CFP by telephone, email, or in writing.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts. We are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Lighthouse Financial Planning, LLC has no additional financial circumstances to report.

Lighthouse Financial Planning, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.

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

The following individuals are the principal executive officers and management persons of Lighthouse Financial Planning, LLC:

- James Richard Johnson, CFP; Managing Member; Chief Investment Officer; Chief Compliance Officer
- Deborah Sue Grose, CFP; Managing Member; Director of Financial Planning

Information regarding the formal education and business background for each of these individuals is provided in their respective Brochure Supplements.

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted.

Our firm and our management personnel have no reportable disciplinary events to disclose.

As previously disclosed in "Other Financial Industry Activities and Affiliations" (Item 10), neither Lighthouse Financial Planning, LLC nor our management personnel have a relationship or arrangement with any issuer of securities.