

# **Caplan Financial Group, LLC**

## **Firm Brochure**

### **(Part 2A & 2B of Form ADV)**

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This Brochure provides information about the qualifications and business practices of Caplan Financial Group, LLC (“CFG”). If you have any questions about the contents of this Brochure, please contact us at: (410) 735-1905 or by email at: [info@caplanfinancialgroup.com](mailto:info@caplanfinancialgroup.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 Caplan Financial Group, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Caplan Financial Group, LLC as a “registered investment adviser” or to being “registered” does not imply a specific level of skill or training.

**March 24, 2018**

## **Item 2 - Material Changes**

Updates to Form ADV Part 2A & 2B

Changes made as follows:

- Updated Page 10, Assets Under Management
- Updated Page 19, Number of Clients

## **Item 3      Table of Contents**

<b>Item 2 - Material Changes</b> .....	2
<b>Item 4 - Advisory Business</b> .....	5
Firm Description.....	5
Principal Owners .....	5
Types of Advisory Services.....	5
Important Disclosures Related to Advisory Services .....	7
Tailored Relationships.....	9
Types of Agreements.....	10
Retirement Account Rollovers – Potential for Conflict of Interest .....	10
Wrap Fee Program.....	10
Managed Assets.....	11
<b>Item 5 - Fees and Compensation</b> .....	11
Description.....	12
Fee Billing .....	12
Billing Practices.....	12
Other Fees.....	12
Expense Ratios .....	13
Termination of Agreements.....	13
Compensation for Sales of Investment Products .....	13
<b>Item 6 - Performance-Based Fees</b> .....	13
Sharing of Capital Gains.....	13
<b>Item 7 - Types of Clients</b> .....	14
Description.....	14
Account Minimums .....	14
<b>Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss</b> .....	14
Methods of Analysis.....	14
Investment Strategies.....	14
Risk of Loss .....	15
<b>Item 9 - Disciplinary Information</b> .....	15
<b>Item 10 - Other Financial Industry Activities and Affiliations</b> .....	15

Activites.....	15
Affiliations.....	16
<b>Item 11 - Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading..</b>	<b>16</b>
Code of Ethics .....	16
Participation or Interest in Client Transactions .....	17
Personal Trading.....	17
<b>Item 12 - Brokerage Practices .....</b>	<b>17</b>
Selecting Brokerage Firms .....	17
Additional Benefits.....	18
Referrals from Broker-Dealers/Custodians .....	18
Directed Brokerage.....	18
Aggregation .....	19
<b>Item 13 - Review of Accounts .....</b>	<b>19</b>
Periodic Reviews .....	19
Review Triggers .....	19
Regular Reports .....	20
<b>Item 14 - Client Referral and Other Compensation .....</b>	<b>20</b>
Incoming Referrals .....	20
Referrals Out.....	20
<b>Item 15 - Custody .....</b>	<b>20</b>
Account Statements .....	20
Statements Provided by Caplan Financial Group, LLC .....	20
<b>Item 16 - Investment Discretion .....</b>	<b>21</b>
Discretionary Authority for Trading.....	21
Limited Power of Attorney.....	21
<b>Item 17 - Voting Client Securities .....</b>	<b>21</b>
Proxy Votes .....	21
<b>Item 18 - Financial Information.....</b>	<b>21</b>
Financial Condition .....	21
 <b>Brochure Supplement (Part 2B of Form ADV)</b>	
Mitchell Caplan .....	22
Henry Alden .....	23

## Item 4      Advisory Business

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### Firm Description

Caplan Financial Group, LLC (“CFG”) is a limited liability company formed on February 1, 2002, in the State of Maryland. CFG became registered as an Investment Advisory Firm on February 1, 2002. CFG is owned by Mitchell Caplan, who is also its Managing Member.

CFG offers its clients investment advisory services and financial planning services. The firm’s compensation is derived from fees paid directly by clients. The firm does not receive commissions based on the clients’ purchases of securities. No referral fees are paid or accepted. As discussed below, Mitchell Caplan, individually, may earn commissions from the sale of insurance products.

Assets under management of CFG are held by independent custodians. Fidelity Investments is the primary custodian holding CFG directed investments. Clients may hold investments with other custodians, such as TD Ameritrade and Charles Schwab, and still fall under the management of CFG.

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### Principal Owners

Mitchell Caplan is 100% owner of Caplan Financial Group, LLC.

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### Types of Advisory Services

CFG offers investment advisory/asset management services and financial planning services.

### **INVESTMENT ADVISORY SERVICES**

Clients can engage CFG to provide discretionary or non-discretionary investment advisory services on a *fee* basis. CFG primarily allocates client investment assets among open-end mutual funds in accordance with the client’s designated investment objective(s). Many of these mutual funds will contain common stocks or other equity positions that offer the possibility of substantial gains in value but also contain the risk of loss of value. Some of these mutual funds are comprised of bonds or other fixed income securities that have a lower potential for gain but also a lower possibility of losing value. The division of client assets between equity/risk positions and conservative/bond vehicles varies on a case-by-case basis in accordance with the client’s investment objectives and risk tolerance. **Information on our investment strategies is located under Item 8 on page 14.**

CFG generally reviews portfolios with the client twice per year. These review meetings are generally held on the month of the client’s birthdate and the month of the client’s half birthdate.

Clients who engage CFG on a **non-discretionary** investment advisory basis **must be willing to accept** that CFG cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event CFG wishes to make changes to the client's investment portfolio at a time when the client is unavailable, CFG will be unable to effect such transactions.

## **FINANCIAL PLANNING SERVICES**

To the extent requested by a client, CFG may be engaged to provide financial planning services. Customarily, clients will engage CFG to provide an initial financial plan and ongoing financial planning services and updates.

If requested by the client, the initial financial plan, as well as ongoing financial planning services and updates, will address the following eight areas of planning:

### **1. GOAL SETTING AND ONGOING MONITORING AND ASSESSMENT**

- Identify short, medium and long term financial goals.
- Evaluate progress towards goals and recommend changes as needed.

### **2. INVESTMENT ANALYSIS**

- Provide asset allocation services regarding investments not directly managed by Caplan Financial Group such as 401(k) retirement plan assets.
- Recommend investments to implement the agreed-upon allocation.
- Recommend changes to investment selections to implement the revised portfolio allocation.

### **3. INSURANCE REVIEW\***

- Review the amount and type of all life insurance policies.
- Review ownership and beneficiary designations and their integration with current estate plan.
- Review amount and type of individual and group long-term disability insurance.
- Review need for long-term care insurance as well as benefit amount and type of policy.

### **4. EMPLOYEE BENEFIT UPDATE**

- Review new and amended employee benefits programs offered by employer.
- Discuss how to utilize available benefits.
- Review and consider changes to elections for retirement plans, insurance options, flexible spending accounts, and other benefits.
- Review stock options, restricted stock, and other deferred compensation programs.

### **5. TAX PLANNING UPDATE\*\***

- Review previous tax planning recommendations.
- Discuss implementation issues.
- Evaluate effectiveness of implemented planning.
- Discuss relevant changes in the tax laws.
- Consider revised or new tax planning ideas.

- Discuss involvement of other service providers (e.g., CPA and attorney).
- Set or revise plan to implement established goals.

#### **6. ESTATE PLANNING UPDATE\*\***

- Review previous estate planning recommendations.
- Discuss implementation issues.
- Discuss relevant changes in family status and personal goals that may impact planning.
- Consider need for asset protection planning.
- Discuss changes in the tax laws.
- Consider revised or new planning ideas.
- Discuss involvement of other service providers (e.g., CPA and attorney).
- Set or revise plan to implement established goals.

#### **7. REAL ESTATE/REAL ESTATE FINANCING ANALYSIS**

- Discuss planning issues related to purchase of a new primary residence, vacation property and/or investment real estate property.
- Review terms of current financing programs and consider alternatives.
- Participate, as requested, in phone conferences and meetings with mortgage lenders.

#### **8. OTHER**

- Discuss planning for pending or recent inheritance.
- Review planning considerations for providing care to parents and other relatives including any requirements for financial assistance.
- Discuss impact of any planned or possible significant life events and consider impact on current and future financial plans.

\*Caplan Financial Group's review of your insurance program is limited to a review of and/or recommendations relating to the adequacy of life, long-term disability, and long-term care insurance only. In conjunction with ongoing financial planning, we recommend that clients consult their current insurance agent(s) to discuss the adequacy of homeowners, automobile, excess liability, health, major medical, business liability, errors and omissions and/or any other property and casualty, business liability or related type insurance. **Although Mitchell Caplan, in his individual capacity, is a licensed life and health insurance broker, clients do not need to effect insurance transactions through Mitchell Caplan. See Item 10 on page 15 for additional information.**

\*\*All listed services require the input of a licensed tax and/or legal professional. Clients understand that any tax and/or legal strategies discussed must be approved by their tax and legal advisors prior to implementation.

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### **Important Disclosures Related to Advisory Services**

1. Limitations when providing Financial Planning Services. To the extent requested by the client, CFG may provide services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither CFG nor its representatives serve as an attorney and no portion of CFG's services should be construed as legal services. Accordingly, CFG does not prepare estate planning documents. To the extent requested by a client, CFG may recommend the services of other professionals for certain non-investment implementation purposes (e.g., attorneys, accountants, insurance agents, identity theft

prevention specialists, and others), including CFG's representatives in their separate and individual capacities as licensed insurance agents and/or certified public accountants as disclosed in Item 10 below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from CFG. Please Note: If the client engages any such recommended professional and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

2. Separate Contracts and Services. Generally, clients will engage CFG for each of the above two types of advisory services in a separate and distinct contract for each service. Many clients have agreed separately for both investment advisory services and financial planning services. In some cases, clients will engage CFG for only one of the two aforementioned areas of planning of services.
3. Fees for Advice Provided Outside the Scope of Contract with CFG. When requested, CFG may furnish advice to clients in an area of investment management or financial planning services outside the scope of the single contract that the client has signed with CFG for a specific area. At its discretion, CFG may not charge a separate fee for providing services outside the scope of the single contract agreement between client and CFG. The decision as to whether to require a separate fee be paid and/or contract signed for services is based on various objective and subjective factors.
4. Disclosure Statement. A copy of CFG's written disclosure statement, as set forth on Part 2 of Form ADV, shall be provided to each client prior to, or contemporaneously with, the execution of the applicable form of client agreement.
5. Use of Mutual and Exchange Traded Funds. Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by CFG independent of engaging CFG as an investment advisor. However, if a prospective client determines to do so, he/she will not receive CFG's initial and ongoing investment advisory services. Please Note: In addition to CFG's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
6. Portfolio Activity. CFG has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, CFG will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when CFG determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by CFG will be profitable or equal any specific performance level(s).



7. Data Aggregation. CFG has a contractual agreement with Morningstar ByAllAccounts to provide data aggregation services for clients who elect to have investment, insurance, and other financial data aggregated in CFG's portal and on their financial statements. The Morningstar ByAllAccounts service allows CFG to see and analyze financial data for investment accounts, insurance policies, 401(k) plans, 529 plans, and various other financial vehicles without having to ask the client to provide updated statements and data.

In conjunction with the services provided by Morningstar ByAllAccounts, CFG may also provide periodic asset allocation and/or investment performance reporting services, which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by CFG (the "Excluded Assets"). CFG's service relative to the Excluded Assets is limited to reporting services only, which does not include investment implementation. Because CFG does not have trading authority for the Excluded Assets, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not CFG, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. The client and/or his/her/its other advisors that maintain trading authority, and not CFG, shall be exclusively responsible for the investment performance of the Excluded Assets. CFG shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets.

8. Fee Differentials. CFG shall price its services based upon various objective and subjective factors. As a result, CFG's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by CFG to any particular client could be available from other advisers at lower fees. All clients and prospective clients should take this into consideration.

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## **Tailored Relationships**

Whether a client has contracted with CFG to provide investment management services, financial planning services, or both offerings, all recommendations and planning are tailored to the individual needs of the client. Client goals and objectives are clarified in meetings and used to determine the course of action for each individual client. There is no "one size fits all" portfolio, allocation or financial plan. Portfolio allocation and all recommendations are customized for each client relationship.

It remains the client's responsibility to promptly notify CFG if there are changes in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising previous recommendations and/or services.

In performing its services, CFG shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon.

Clients may impose restrictions on investing in certain types of securities. Clients must clearly communicate the type of securities that they wish to exclude from the assets managed by CFG.

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## **Types of Agreements**

One of CFG's core offerings is discretionary investment management services. Clients contract for this service offering by signing a Discretionary Investment Management Agreement. CFG will provide a sample contract to any prospective client considering asset management services. **See page 14 in this Brochure for details regarding CFG's investment strategy.**

CFG's second offering is financial planning services. Among the topics on which CFG may provide advice are taxation, insurance, estate planning, retirement cash flow analysis and college funding strategies. **Please see pages 6 and 7 in this Brochure which provide a list of potential areas of planning that CFG can consult on as well as disclaimers for areas we are not qualified to consult on for clients.**

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## **Retirement Account Rollovers – Potential for Conflict of Interest**

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending on the client's age, result in adverse tax consequences). If CFG recommends that a client roll over their retirement plan assets into an account to be managed by CFG, such a recommendation creates a conflict of interest if CFG will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over retirement plan assets to an account managed by CFG.**

**ERISA / IRC Fiduciary Acknowledgment.** If the client is: (i) a retirement plan ("Plan") organized under ERISA; (ii) a participant or beneficiary of a Plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code, with authority to direct the investment of assets in his or her Plan account or to take a distribution; (iii) the beneficial owner of an IRA acting on behalf of the IRA; or (iv) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code: then CFG represents that it and its representatives are fiduciaries under ERISA or the Internal Revenue Code, or both, with respect to any investment advice provided by CFG or its representatives or with respect to any investment recommendations regarding an ERISA Plan or participant or beneficiary account.

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## **Wrap Fee Program**

CFG does not participate in, manage, or sponsor any wrap fee programs.

## Managed Assets

As of December 31, 2017, CFG had \$172,529,638 in assets under management on a discretionary basis and \$2,014,548 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

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### Description

Generally, CFG bases its fees for investment advisory services on a percentage of assets under management. Fees charged for financial planning services entail a fixed fee for the initial financial plan and/or a fixed or variable fee for ongoing financial planning services. All fees are negotiable.

#### **FEES FOR INVESTMENT ADVISORY SERVICES**

CFG's annual investment advisory fee varies based upon a number **objective and subjective factors**. These factors include, but are not limited to, the amount of the assets placed under CFG's management, the level and scope of the overall investment advisory services to be rendered, and the complexity of the engagement. In most cases, the annual asset management fee will be 1%, 1.25% or 1.50% with a reducing level of fees on the value of assets over an initial level. In some cases, the asset management fee could be less than 1% or more than 1.5%. CFG retains discretion to negotiate the management fee on a client-by-client basis, depending on the size and complexity of the portfolio managed.

**Note: Fee Differentials.** CFG shall price its services based upon various objective and subjective factors. As a result, CFG's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by CFG to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

#### **FEES FOR FINANCIAL PLANNING SERVICES**

Fees for CFG's financial planning services are negotiable. Generally, CFG charges a one-time fixed fee between \$2,000 and \$20,000 for the initial financial plan. Fees charged for ongoing financial planning services are generally stated as a fixed dollar amount or are based on a formula tied to client asset level. CFG retains discretion to negotiate the financial planning fee on a client-by-client basis, depending on the size and complexity of the portfolio managed.

Generally, CFG will send an invoice for payment of the initial financial plan and clients will pay this invoice directly via check made payable to CFG.

Clients pay ongoing financial planning fees using one or more of the following fee payment mechanisms:

1. Quarterly invoice sent to client's address of record.
2. Monthly or quarterly deduction from client's account custodied with a qualifying custodian.
3. Monthly or quarterly payment via credit card. (CFG understands the SEC "custody" rules and implications to such rules if CFG were to maintain client credit card information. See Custody discussion on page 20).

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## **Fee Billing**

Generally, CFG's investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. In certain cases, CFG and client may agree upon a method different from the aforementioned payment process.

CFG shall reimburse accounts for losses resulting from CFG's trade errors.

## **BILLING PRACTICES**

With occasional exceptions made based on negotiation between CFG and clients, clients will pay investment advisory fees in advance of services provided. Client will receive a refund of prepaid investment advisory fees if the Discretionary Investment Management Agreement is terminated before the end of the billing period. If client terminates the Discretionary Investment Management Agreement, the amount refunded will be calculated based on the date the assets are withdrawn from the account. If CFG terminates the Discretionary Investment Management Agreement, the amount refunded will be calculated based on the date we terminated the Agreement.

Timing of payments for the initial financial plan and/or ongoing financial planning services is negotiated between CFG and client. The timing of payments is generally documented in an exhibit to the agreement.

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## **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and other investment products. These transaction charges are usually relatively small and are incidental to the purchase or sale of a security.

Mutual funds generally charge a management fee for their services as investment managers. The management fee is included in the expense ratio. Mutual fund fees also include transaction charges for the purchase or sale of securities within the fund. Mutual funds may also charge additional fees as disclosed in the fund prospectus. These fees are in addition to the fees paid by the client to CFG.

Please see the section entitled “Brokerage Practices” on page 17 for more information.

At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), and depending upon liquid cash necessary for fee billing purposes, CFG may maintain cash positions. All cash positions (e.g., money markets) shall be included as part of assets under management for purposes of calculating CFG’s advisory fee.

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## **Expense Ratios**

Mutual funds generally charge a management and expense fee for their services as investment managers. This is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by the client to CFG.

Performance figures quoted by mutual fund companies in various publications reflect performance after their fees have been deducted.

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## **Termination of Agreements**

Both CFG and client may terminate a Discretionary Investment Management Agreement and/or Ongoing Financial Planning Agreement at any time, for any reason. Any unearned portion of fees collected in advance will be refunded by CFG to the client.

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## **Compensation for Sales of Investment Products**

CFG’s compensation is derived from fees paid directly by clients. CFG does not receive commissions based on the client’s purchase of securities. As discussed below, Mitchell Caplan, individually, may earn commissions from the sale of insurance products.

## **Item 6 Performance-Based Fees**

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### **Sharing of Capital Gains**

Neither CFG nor any supervised person of CFG accepts performance-based fees.

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

CFG does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk to the client.

## **Item 7      Types of Clients**

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### **Description**

CFG generally provides investment and/or financial planning advice to individuals and families. Advice may be extended to entities related to the client such as closely held businesses. Client relationships vary in scope and length of service.

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### **Account Minimums**

CFG does not generally impose a minimum dollar value of assets for opening or maintaining an account. CFG may impose a minimum fee for investment advisory services and/or ongoing financial planning services. Minimum fees are negotiated on an individual basis.

Fees may be waived or significantly reduced from our general investment management fee schedule for employees of CFG, relatives of employees of CFG, relatives of existing clients and/or in other special situations.

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

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### **Methods of Analysis**

CFG generally utilizes no-load, open-end mutual funds for client investment portfolios. The main sources of information on securities utilized include Morningstar reports, fund prospectuses, financial newspapers, and magazines and research materials prepared by others. Employees of CFG may also participate in on-site and off-site visits with mutual fund managers, conference calls with mutual fund management teams, and industry conferences.

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### **Investment Strategies**

The investment strategy for a specific client is based upon the objectives, income needs, and tax situation stated by the client during consultations. Client portfolios will contain a limited number of securities.

In most client portfolios, we employ two to four mutual funds which serve as the client's largest holdings. These are the core positions within the overall portfolio. Within these core mutual funds, the managers are permitted, under the investment policy of the fund, to buy any type of security as they see fit. In addition, the fund managers of these core holdings are permitted by prospectus and investment policy to hold substantial amounts of cash and very short term, conservative fixed income positions, when they see fit to do so. Over and above these core

holdings, CFG will typically, but not always, utilize several additional equity or fixed income mutual funds for diversification purposes.

This “core holdings” strategy allows the managers of these core positions to determine the allocation of the foundation of the portfolio. CFG will then determine the remaining allocation.

CFG does not set client portfolio allocation targets based on certain percentages of assets to be held in specific asset classes. In addition, CFG does not rebalance portfolios to any specific model portfolio or investment policy asset allocation.

CFG does not utilize model portfolios and does not customarily advocate strategies involving wide ranging diversification, rebalancing of portfolios at particular time frames and/or index investing.

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## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. Different types of investments involve varying degrees of risk and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by CFG) will be profitable or equal any specific performance level(s).

Our investment approach keeps the risk of loss in mind. However, as with all investments, clients face investment risks, including the following: loss of principal risk, interest-rate risk, market risk, inflation risk, currency risk, reinvestment risk, business risk, liquidity risk, and financial risk.

## **Item 9      Disciplinary Information**

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CFG and its related persons have not been involved in any legal or disciplinary events related to past or present activities requiring disclosure at this Item 9.

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

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### **Activities**

CFG does not participate in any other business activities. Neither CFG nor CFG’s supervised persons are registered as, or have an application pending to register as, a broker-dealer or a registered representative of a broker-dealer. Neither CFG nor its representatives are registered or

have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

Mitchell Caplan, in his individual capacity, is a licensed insurance agent/broker. Mitchell Caplan may recommend the purchase of certain insurance-related products on a commission basis. Clients have the sole discretion as to whether to engage Mitchell Caplan to effect insurance transactions on their behalf.

The recommendation by Mitchell Caplan that a client purchase an insurance product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any insurance products from Mitchell Caplan. Clients are reminded that they may purchase insurance products recommended by Mitchell Caplan through other non-affiliated insurance agents/brokers. **CFG's Chief Compliance Officer, Mitchell Caplan, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

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## **Affiliations**

CFG does not have any business affiliations with any related person or entity that are material to its advisory business. As described immediately above, Mitchell Caplan, in his individual capacity, has been appointed as an agent/broker with numerous insurance companies.

Henry P. Alden, II, an Investment Advisory Representative of CFG, owns and operates Everest International Group, LLC and Everest Ito Group, LLP. Both of these entities are Certified Public Accounting and Consulting firms (see Part 2B – Brochure Supplement). Clients are not obligated to engage the services of Mr. Alden's practice. Any services provided by Mr. Alden are to be undertaken via a separate contract between the client and his firm. All such accounting, tax and/or consulting services are separate and distinct from any services provided by CFG. CFG does not accept any revenue for referrals made to Mr. Alden and/or the aforementioned entities.

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

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### **Code of Ethics**

CFG and its related persons are committed to a Code of Ethics. The primary commitments within CFG's Code of Ethics are putting the clients' interests first, objectivity, competence, fairness and suitability, integrity and honesty, regulatory compliance, full disclosure, and professionalism.

In accordance with Section 204A of the Investment Advisers Act of 1940, CFG also maintains



and enforces written policies reasonably designed to prevent the misuse of material non-public information by CFG or any person associated with CFG.

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### **Participation or Interest in Client Transactions**

Neither CFG nor any related person of CFG recommends, buys, or sells securities in client accounts which CFG or any related person of CFG has a material financial interest. However, CFG and its Access Persons may at times buy or sell securities that are also held by clients. Because the majority of securities purchased and sold by CFG and clients are open-end, no-load mutual funds, CFG and/or its Access Persons will generally not be in a position to materially benefit from the sale or purchase of such mutual funds.

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### **Personal Trading**

Mitchell Caplan, the Chief Compliance Officer of CFG, reviews all Access Persons' 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, the trades do not affect the securities markets.

## **Item 12 Brokerage Practices**

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### **Selecting Brokerage Firms**

In the event that the client requests that CFG recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct CFG to use a specific broker-dealer/custodian), CFG generally recommends that investment advisory accounts be maintained at Fidelity Investments. Prior to engaging CFG to provide investment advisory services, the client will be required to enter into a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that CFG considers in recommending Fidelity Investments (or any other broker-dealer/custodian to clients) include historical relationship with CFG, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by CFG's clients shall comply with CFG's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where CFG determines, in good faith, that the commission/transaction fee is reasonable. 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, although CFG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees

charged by the designated broker-dealer/custodian are exclusive of, and in addition to, CFG's investment advisory fee. CFG's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

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### **Additional Benefits**

CFG does not receive soft dollar benefits from custodians. However, although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, CFG may receive from Fidelity Investments (or another broker-dealer/custodian, investment platform, vendor, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist CFG to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by CFG may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings and other educational and/or social events, marketing support and computer hardware, software and other products used by CFG in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist CFG in managing and administering client accounts. Others do not directly provide such assistance, but rather assist CFG to manage and further develop its business enterprise.

CFG's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity Investments as a result of this arrangement. There is no corresponding commitment made by CFG to Fidelity Investments or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangement

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### **Referrals from Broker-Dealers/Custodians**

CFG does not receive referrals from Fidelity Investments or other broker-dealers/custodians.

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### **Directed Brokerage**

CFG does not generally accept directed brokerage arrangements. In such client-directed arrangements, the client will negotiate terms and arrangements for their account with that specific broker-dealer.

CFG may elect, at its discretion, to utilize the services of another broker dealer other than Fidelity Investments to execute transactions for client accounts. In such cases, CFG will be responsible for negotiating commissions and fees.

CFG has a fiduciary duty to put the clients' interests before the firm's. If a case arises where CFG has decided, at its discretion, to use the services of another broker-dealer, it will be because CFG believes it is in the best interest of the client. A situation could arise where the client may pay higher commissions or other transaction costs at this broker-dealer.

We have selected Fidelity as our custodian of choice based on their competitive transaction charges, excellent trading platform, online services for account administration, and operational support. In addition, Fidelity's general reputation, trading capabilities, investment inventory, financial strength and our personal experience in working with Fidelity have dictated we use them as our primary custodian.

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### **Aggregation**

Almost all trades executed by CFG are mutual fund trades where aggregation does not garner any client benefit. However, when mutual funds allow aggregation for purposes of qualifying to purchase institutional shares, our clients benefit by having access to institutional shares that have lower expense ratios than the retail versions of the same fund.

## **Item 13      Review of Accounts**

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### **Periodic Reviews**

Unless clients of the firm request otherwise, CFG will provide ongoing financial planning updates and a review of each client's investment portfolio on a semiannual basis. Generally, these review meetings will occur during the month of the client's birth date and half birth date. Ongoing financial planning reviews will vary in focus as requested by the client. Investment management reviews will also vary in focus based upon changes in market conditions, new information about investment managers/mutual fund management, changes in tax laws and/or other important events.

Both ongoing financial planning reviews and investment management reviews are performed by Mitchell Caplan. The total number of households for which Mitchell Caplan provides regular investment advisory and/or ongoing financial planning services is approximately 160.

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### **Review Triggers**

As discussed above, ongoing financial planning and investment management reviews are generally performed on a semiannual basis. Additional reviews may be triggered by client request, changes in market condition, new information about investment managers/mutual funds, changes in tax laws, changes in clients' goals/objectives and/or other client life-changing events such as birth of a child, marriage/divorce/remarriage, inheritance and/or other life-changing events.

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## **Regular Reports**

Written reports are provided to clients when review meetings are conducted. The reports may consist of an Investment Strategy Analysis Report (a statement of holdings and their classification), Investment Portfolio Performance Reports, a Financial Security Summary (a list of assets, liabilities and other important information), or other reports as needed.

Investment Portfolio Performance Reports are provided to clients who specifically request such reports. These reports are generally provided in January and reflect client portfolio returns during the previous year.

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

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### **Incoming Referrals**

CFG's referrals generally come from current clients, estate planning attorneys, accountants, personal friends, employees, and other sources. The firm does not pay for referrals.

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### **Referrals Out**

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

## **Item 15 Custody**

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### **Account Statements**

All assets are held with qualified custodians who provide account statements directly to clients at their address of record. Clients are encouraged to carefully review the statements provided by their custodians.

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### **Statements Provided by Caplan Financial Group, LLC**

Clients are at times provided Financial Security Summary reports (a statement of net worth and other important information specifically requested by client to be included) and/or a list of investment holdings and/or Investment Portfolio Performance Reports. Clients are urged to compare the statements they receive from us to those they receive from their qualified custodians if applicable. In situations where assets not held with qualified custodians (real estate, stock options and other assets) are listed on reports they receive from us, clients are urged to provide feedback and/or discuss the values with us during review meetings.

## **Item 16      Investment Discretion**

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### **Discretionary Authority for Trading**

CFG accepts discretionary authority to manage securities accounts on behalf of clients. CFG has the authority to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of the securities to be bought or sold. However, if discretionary authority or a limited power of attorney has not been given, CFG consults with the client prior to each trade to obtain concurrence. Discretionary trading authority facilitates placing trades in clients' accounts on their behalf.

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### **Limited Power of Attorney**

Clients must sign a limited power of attorney before CFG is given discretionary authority. The limited power of attorney is included as part of the Discretionary Investment Management Agreement executed between client and CFG.

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## **Item 17      Voting Client Securities**

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### **Proxy Votes**

CFG does not vote proxies for securities over which it maintains discretionary authority. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. Clients can contact CFG with questions about proxies or other solicitations they receive.

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## **Item 18      Financial Information**

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### **Financial Condition**

CFG does not have any financial impairment that would preclude the firm from meeting contractual commitments to clients. A balance sheet is not required to be provided because CFG does not serve as a custodian for client funds or securities, other than as described above, and CFG does not require prepayment of fees of more than \$1,200 per client, six months or more in advance. CFG has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: CFG's Chief Compliance Officer, Mitchell Caplan, remains available to address any questions regarding this Part 2A.**

# Brochure Supplement (Part 2B of Form ADV)

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**Mitchell Marc Caplan, CPA\*, JD, President, Chief Compliance Officer**

\*CPA license currently inactive

## Educational Background:

- Date of birth: 07/08/1963
- George Washington University, Bachelor of Accountancy, 1985
- University of Maryland School of Law, Juris Doctor, 1993

## Business Experience:

Prior to founding Caplan Financial Group, LLC in 2002, Mitchell was an accountant with KPMG in Washington, DC from 1985 to 1987. Mitchell served as a financial services recruiter with Thomas, Whelan & Associates from 1987 to 1990. After graduating law school in 1993, Mitchell was an insurance agent and registered securities representative with the Northwestern Mutual Financial Network from 1993 to 2006. During his tenure with the Northwestern Mutual Financial Network, Mitchell founded Caplan Financial Group, LLC in 2002. From September 2006 to June 2007, Mitchell was a Registered Representative with Cambridge Investment Research, Inc.

Disciplinary Information: None

## Other Professional Activities:

Member of The Financial Planning Association® – Maryland Chapter.

## Additional Compensation:

Mitchell Caplan, in his individual capacity, is a licensed insurance agent/broker. Mitchell Caplan may recommend the purchase of certain insurance-related products on a commission basis. The recommendation by Mitchell Caplan that a client purchase an insurance product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any insurance products from Mitchell Caplan. Clients are reminded that they may purchase insurance products recommended by Mitchell Caplan through other non-affiliated insurance agents/brokers. **Caplan Financial Group, LLC's Chief Compliance Officer, Mitchell Caplan, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

## Supervision:

Mitchell Caplan supervises his own compliance-related activities. Mitchell is assisted by Darren Stauffer, who manages Caplan Financial Group's client relationship management system.

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**Henry Palmer Alden, II, CPA/PFS****Educational Background:**

- Date of birth: 09/02/1960
- Wake Forest University, B.S. Accounting, 1982
- Masters in Taxation, University of Georgia, 1985

**Business Experience:**

- Henry started his career at KPMG, in Washington, DC. Throughout his 15 years at KPMG, Henry specialized in domestic and international tax consulting, serving both corporate and individual clientele. While at KPMG, Henry established the firm's Global Wealth Services Practice, which focused on providing international tax and financial planning to individuals with multinational interests. After leaving KPMG in 2005, Henry formed Everest International Group, LLC.
- Caplan Financial Group, Investment Adviser Representative, 2010 – Present
- Cambridge Investment Research, Inc., Fairfield, IA, Registered Representative, September 2006 - June 2007
- Everest International Group, LLC, President, 2005 – Present
- KPMG Global Wealth Services, Washington, DC, National Director, October 1998 – June 2005
- Alden & Alden, Annapolis, MD, Partner, January 1994 – October 1998
- KPMG, Washington, DC, Multiple Departments, 1985 - 1993

Disciplinary Information: None

**Other Professional Activities:**

Henry is past Co-Chair of the Expatriation Tax Task Force of the AICPA Trust, Estate and Gift Tax Technical Resource Panel and the AICPA's International Reporting Requirements Task Force. He is a member of the American Institute of Certified Public Accountants (AICPA), and the Maryland Association of Certified Public Accountants.

**Additional Compensation:**

Henry Alden owns and operates Everest International Group, LLC, which is a partner in Everest Ito Group, LLP, as his primary occupation. Most of Henry's annual compensation is derived from the business activities of these two firms. Clients are not obligated to engage Henry in this capacity. Any services provided by Henry are to be undertaken via a separate contract between the client and his firm. All such accounting, tax and/or consulting services are separate and distinct from any services provided by Caplan Financial Group, LLC. Caplan Financial Group, LLC does not accept any revenue for referrals made to Mr. Alden and/or the aforementioned entities.

Supervision:

Henry Alden's compliance-related activities are supervised by Mitchell Caplan. Mitchell supervises Henry's investment advisory work through frequent office interactions. Mitchell also reviews Henry's activities through Caplan Financial Group, LLC's client relationship management system.