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THE-FINANCIAL-ADVISORS.COM

This firm brochure provides information about the qualifications and business practices of The Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at: 978-475-3242. 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 The Financial Advisors, LLC is available on the SEC's website at www.adviserinfo.sec.gov.** You can search this site by our firm name or by a unique identifying number known as a CRD number. The CRD number for The Financial Advisors, LLC is 146680.

March 2011

2: Summary of Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

Our firm brochure is substantially modified from its prior version, and contains new information for the benefit of our clients. In this "Summary of Material Changes" we discuss only the material changes since the last annual update of this brochure in March, 2010.

(1) **Redesign.** The Securities and Exchange Commission ("SEC") recently published amendments to the rules for firm brochures. This brochure is redesigned in narrative format and is materially different in its structure. This brochure also contains new information now required by the SEC's new rules.

(2) **Conflicts.** We provide additional disclosures regarding material conflicts of interest which may exist and how we manage those conflicts in order to keep our clients' best interests paramount at all times.

(3) **Investment Strategies, Risks.** We provide a more extensive review of our investment policies and practices and the risks attendant to those strategies, as well as the risks of specific asset classes or investment products we may recommend to our clients.

(4) **Amount of Assets Managed.** Our assets under advisement increased to \$238,200,000 as of December 31, 2010.

(5) **Custody.** We further detail our firm practices with regard to our non-acceptance of "custody" of client accounts. We have chosen to utilize Pershing, LLC, an independent qualified custodian, for the safety of our clients' funds. Pershing provides separate monthly or quarterly statements directly to our clients, detailing their account holdings. We encourage each of our clients to carefully review the account statements received from Pershing, LLC.

(6) **Financial Advisor Biographies.** We also include the new Form ADV, Part 2B for each of our investment advisers who directly provide advice to you, or who may assist in the management of your investment portfolio. Please refer to each Form ADV, Part 2B Financial Advisor Biography, included as Item 21 in this brochure.

2: Summary of Material Changes (cont'd)

(7) Delivery of Amendments to this Brochure. In the past we have offered or delivered information about our qualifications and business practices to clients once a year. We review and update this brochure at least annually, in order to ensure that it remains current. Pursuant to new SEC rules, we will provide each of our clients with a summary of any material changes for subsequent annual updates to brochures by April 30th of each year. We will further provide our clients with additional information regarding material changes at our firm at other times, within a reasonable time after such changes occur.

Due to the extensive changes to this brochure, we suggest that all of our clients review this document, in its entirety, upon receipt. We also encourage our clients to review this brochure and any questions they may have with their Financial Advisor.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 978-475-3242.

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4: Advisory Business

Firm Description

The Financial Advisors, LLC, ("TFA") was founded in 1991 by Richard L Sumberg. Currently the principal owners are Richard L Sumberg and Robert C Miller. TFA has two offices: Andover and Newburyport Massachusetts.

TFA is primarily a fee-based financial planning and investment management firm. No finder's fees are accepted.

As of December 31, 2010, TFA manages approximately \$238,200,000 in assets for approximately 390 clients. All assets are managed on a non-discretionary basis.

TFA provides personalized confidential financial planning and investment management to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

We utilize a multi-disciplinary team approach to addressing clients' financial planning and investment management needs. Our team includes a Certified Public Accountant, an IRS Enrolled Agent, insurance professionals and Certified Financial Planners. Most clients hire an attorney to work on estate plans or other legal issues. In addition, some clients engage other professionals, e.g., accountants or insurance agents. TFA will consult with all such professionals as planning recommendations are formulated and/or implemented for the client.

The initial meeting is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

We actively seek to avoid, or at least minimize, conflicts of interest which may exist between our firm and our clients. However, all investment advisory firms will likely possess some unavoidable conflicts of interest. In those instances when conflicts of interest arise, TFA has adopted policies which seek to keep our clients' best interests paramount at all times. This brochure explores in further detail how we act to keep our clients' best interests first at all times during the course of relationship with our clients.

Types of Advisory Services

The Financial Advisors, LLC provides financial planning, either at a fixed rate or hourly rate, and investment advisory services, the fee for which is either a percentage of investable assets or a fixed rate.

Types of Agreements

The following agreements define the typical client relationships.

Financial Planning Agreement - either fixed or hourly fee

TFA Managed Portfolio Investment Advisory Agreement ("MP")

TFA Wealth Management Portfolio Investment Advisory Agreement ("WM")

Financial Planning Agreement

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The planning process typically involves 3 to 4 meetings between the advisor and the client. The financial planning topics discussed during those meeting may include, but are not limited to: a financial statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. First-year financial planning services are offered for a fixed annual fee. Fixed fees are based on the hourly rate for the advisor involved times the anticipated number of hours required for the plan. The fee range for advisors is from \$150 to \$300 per hour. The annual fixed fee for second and subsequent years is half of the first year's fee. Payment for fixed fee engagements is due as follows: 50% at the beginning of the engagement and the balance at the final planning session.

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

TFA provides hourly planning services for clients who need advice on a limited scope of work. Hourly charges are the actual number of hours for each advisor and staff person times the hourly rate. The hourly rates for limited scope engagements range from \$150 to \$300 per hour. Hourly fees are due at the time of the consultation.

The hourly rate and fixed planning fees are not negotiable. However the client is always the primary determiner of the number of hours of financial planning he or she needs.

Fixed fee engagements allow the client access to the advisor during the term of the engagement. Consultations after the completion of the planning process are usually by telephone or email.

TFA Managed Portfolio Investment Advisory Agreement

After the financial planning phase is complete, most clients choose to have The Financial Advisors, LLC manage their assets to incorporate the just completed planning process with ongoing asset management. Clients are under no obligation to choose this service. If a client chooses this service the subsequent year's planning fee is waived.

Assets are invested primarily in institutional no-load mutual funds with low annual expense ratios. At times we may recommend other low cost investment solutions such as exchange-traded funds ("ETF"s). While TFA generally does not recommend individual common stocks, clients at times desire to retain certain existing holdings, or to purchase same. Reasons for clients' desires might include emotional ties to the stock and/or the presence of substantial unrealized capital gains. Clients may impose restrictions on investing in certain securities or types of securities.

The annual fee is based on a percentage of the investable assets according to the following schedule:

Account Value

- \$0 - \$249,999 at the rate of 1.5% annually
- Next \$250,000 at the rate of 1.3% annually
- Next \$500,000 at the rate of 1.1% annually
- All Additional Assets at the rate of 1.0% annually

There is no minimum annual fee. The fee is not negotiable.

TFA, in its sole discretion, may waive its minimum fee and/or charge a lesser Investment Advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, or other special circumstances.) Current client relationships may exist where the fees are higher or lower than the fee schedule above.

The Advisory Agreement is an ongoing agreement. The client or the investment advisor may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed.

We recommend Lincoln Financial Securities (LFS) and its custodian Pershing, LLC as the custodian for Investment Advisory accounts. For further information please refer to Item 15: Custody.

For further information regarding non-advisory fees and billing please refer to Item 5: Fees and Compensation.

TFA Wealth Management Portfolio Investment Advisory Agreement

When it is more appropriate to incorporate investment management on a fixed-fee basis, a TFA Wealth Management Agreement is executed in lieu of a TFA Managed Portfolio Advisory Agreement.

Assets are invested primarily in institutional no-load mutual funds with low annual expense ratios. At times we may recommend other low cost investment solutions such as exchange-traded funds. While TFA generally does not recommend individual common stocks, clients at times desire to retain certain existing holdings, or to purchase same. Reasons for clients' desires might include emotional ties to the stock and/or the presence of substantial unrealized capital gains. Clients may impose restrictions on investing in certain securities or types of securities.

The annual fee for this Agreement is determined by the advisor based on the client's individual situation and is not negotiable. The annual fee is increased each year based on any increase in the Consumer Price Index.

We recommend Lincoln Financial Securities ("LFS") and its custodian Pershing, LLC as the custodian for Wealth Management accounts. For further information please refer to Item 15: Custody.

For further information regarding non-advisory fees and billing please refer to Item 5: Fees and Compensation.

Termination of Agreement

A Client may terminate any of the aforementioned agreements at any time by notifying The Financial Advisors, LLC in writing and paying a pro rata share of the fee for the time spent on the engagement prior to notification of termination. If the client made an advance payment, The Financial Advisors, LLC will refund any unearned portion of the advance payment.

The Financial Advisors, LLC may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, The Financial Advisors, LLC will refund any unearned portion of the advance payment.

There is never a termination fee.

Past Due Accounts and Termination of Agreement

The Financial Advisors, LLC reserves the right to stop work on any account that is more than 30 days overdue. In addition, The Financial Advisors, LLC reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in The Financial Advisors, LLC's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

5: Fees and Compensation

Advisory Fees

For a discussion of our advisory fees for Financial Planning, TFA Managed Portfolio services and TFA Wealth Management services please refer to the subsections in Item 4 above.

When using our Managed Portfolio or Wealth Management services clients may incur additional fees or charges, as discussed below.

Other Fees

The MP fee is the cost for advisory and some custodial services. However there are other charges associated with an account. When stocks, bonds, mutual funds, or other securities are bought or sold a variety of fees and charges may occur. These fees or charges may include but are not limited to: Pershing trade ticket and service charges, paper statement and con-

firmation charges, special services fees, annual retirement plan fees and mutual fund expenses. TFA pays the Pershing trade ticket charges and annual retirement plan fees. Clients pay the Pershing service charge unless it is waived by a special agreement between Pershing and the mutual fund company. We are mindful of these charges and will choose a waived-fee fund when appropriate. However these service charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Special services fees such as wire transfer fees or returned-check fees are paid by the client. Clients can avoid charges for paper statements and confirmations by signing up for electronic delivery of these documents.

For a detailed discussion of mutual fund expenses see the section below titled Mutual Fund Fees and Expense Ratios.

The WM fee is the cost for advisory and some custodial services. However there are other charges associated with an account. When stocks, bonds, mutual funds, or other securities are bought or sold a variety of fees and charges may occur. These fees or charges may include but are not limited to Pershing trade ticket and service charges, paper statement and confirmation charges, special services fees, annual retirement plan fees and mutual fund expenses. TFA pays the Pershing annual retirement plan fees. Clients pay the Pershing trade ticket fee and service charge unless it is waived by a special agreement between Pershing and the mutual fund company. We are mindful of these charges and will choose a waived-fee fund when appropriate. However these service charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Special services fees such as wire transfer fees or returned-check fees are paid by the client. Clients can avoid charges for paper statements and confirmations by signing up for electronic delivery of these documents.

Both MP and WM clients may also incur "account termination fees" upon the transfer of a retirement account from one brokerage firm (custodian) to another. Clients should contact their custodians (brokerage firms, bank or trust company, etc.) to determine the amount of account termination fees which may be charged and deducted from their accounts for any existing accounts which may be transferred.

For a detailed discussion of mutual fund fees see the section below titled Mutual Fund Fees and Expense Ratios.

Mutual Fund Fees and Expense Ratios

All fees paid to TFA for planning and advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. Mutual fund expenses are described in each fund's prospectus. These expenses generally include a management fee, other fund expenses, and possibly a distribution fee. In addition, mutual funds incur transaction costs and opportunity costs, which are not disclosed in the fund's prospectus or Statement of Additional Information, but which may be estimated.

To fully understand the total amount of fees and costs paid by the client, the client should review three separate things:

- (a) The fees charged by the funds (including transaction and opportunity costs within funds which are not included in a fund's annual expense ratio),
- (b) The transaction fees charged by the custodian, and
- (c) The fees charged by TFA.

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

Other Compensation

In order to address the client's needs, from time to time TFA may recommend the purchase of products that pay commissions, such as life insurance, disability insurance, long-term care insurance, limited partnerships, and/or annuities. These commissions are separate and distinct from advisory fees and other fees described above. Since all TFA representatives are representatives of LFS they may only recommend products with which LFS has a selling agreement. This represents a conflict of interest as it gives TFA an incentive to recommend investment products based on the commission received rather than on the client's need. To mitigate this conflict, sales of all commissionable products are reviewed either by LFS or TFA's Chief Compliance Officer ("CCO") for suitability. Clients have the option to purchase products recommended by TFA from other companies.

Fee Billing

Fees for financial plans are billed 50% at the start of the planning process with the balance due upon delivery of the financial plan.

The MP fee is billed quarterly in arrears and is based on the account asset values on the last business day of each month in the billing quarter. The fee is due on the first business day following the end of the billing quarter.

Fees are usually deducted from a designated client investment account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for WM are billed quarterly in arrears. The fee is due on the first business day following the end of the billing quarter. When the annual fee for Wealth Management is adjusted for increases in the cost of living, the average Consume Price Index (CPI) figure for the most recent 12 months is compared to the average CPI for the 12 months prior to the most recent 12 months.

Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Comparable Services

TFA believes that the charges and fees within its programs are competitive with alternative programs available through other firms offering a similar range of services. However, lower fees for comparable services may be available from other sources. A client could invest in mutual funds directly, without the services of TFA. In that case, the client would not receive the services provided by TFA which are designed, among other things, (a) to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives, (b) to undertake a disciplined approach to portfolio rebalancing while

taking into account the tax ramifications of same, and (c) to avoid *ad hoc* emotional reactions to shorter-term market events. Also, the institutional share class of funds may not be available to the client directly without the use of an investment adviser granted access to such funds.

Proper Management of Conflicts of Interest Relating to Percentage-Based Fees

The vast majority of our clients pay TFA fees based upon a percentage of the client's assets we manage. This is a very common form of compensation for registered investment advisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation. But this percentage-based method of compensation can still at times lead to conflicts of interest between our firm and our client as to the advice we provide. This is because any decision that results in you having less money under the management of TFA would lead to you paying a lower total fee to TFA. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gift funds to charities or to individuals; purchases of a (larger) home or cars or other non-investment assets; expenditures of funds for travel or other activities; and the amount of funds to place in non-managed cash reserve accounts. We have adopted internal policies to properly manage these and other potential conflicts of interest. Our goal is that our advice to you remains at all times in your best interests, disregarding any impact of the decision upon our firm.

TFA usually does not recommend the purchase of stocks and bonds as part of its investment management agreement. Client portfolios may include some individual equity securities, but these are generally part of a client's investment holdings prior to becoming a client. New clients' existing investments are evaluated in light of the desired investment policy objectives. We work with new clients to develop a plan to transition from a client's existing portfolio to the desired portfolio. Investment advice may be offered on any investments held by a client at the start of the advisory relationship. The TFA fee may be adjusted to take into consideration existing investment assets. For example, if a client owns a mutual fund that pays TFA a 12b-1 fee, the client's TFA advisory fee will be reduced by the amount of anticipated 12b-1 fee.

Initial Public Offerings (IPOs) are not available through TFA.

6: *Performance-Based Fees*

TFA does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client. In particular, fees are not based on a share of the capital gains or capital appreciation of managed securities.

7: Types of Clients

Variety of Client Relationships

The Financial Advisors, LLC generally provides investment advice to individuals, pension and profit-sharing plans, trusts, small businesses, estates, or charitable organizations.

Client relationships vary in scope and length of service.

Account Minimums

The minimum account size is \$50,000 of assets under management.

TFA has the discretion to waive the account minimum. Accounts of less than \$50,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts within a reasonable time. Other exceptions will apply to employees of The Financial Advisors, LLC and their relatives, or relatives of existing clients.

8: Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

TFA provides the investment strategy and its implementation for all Advisory clients, utilizing a variety of investment vehicles (such as mutual funds and ETFs). Clients of TFA receive the benefit of TFA's developed investment philosophies and strategies, research and due diligence, account monitoring, and personal financial planning recommendations.

TFA's Investment Committee establishes the overall investment strategies employed by the firm, reviews the brokerage firms we recommend to our clients, and approves of particular investments which may be used by advisors of our firm. The Investment Committee includes Richard Sumberg, Robert Miller, Michael Kumph, Patricia Quinn, Louis Bonasera, Michael Dempsey and Douglas Crabtree.

Extensive academic research, investment information, and certain proprietary analyses are drawn upon by TFA in order to provide innovative investment advisory services. Each of TFA's clients receives an Asset Allocation Spreadsheet, which sets forth a recommended strategic asset allocation.

In designing investment plans for clients, TFA relies upon the information supplied by the client and the client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management planning, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived

current tolerance for risk. This information becomes the basis for the strategic asset allocation plan which we believe will best meet the client's stated long-term personal financial goals. The strategic asset allocation provides for investments in those asset classes which TFA believes (based on historical data and TFA's proprietary analysis) will possess attractive combinations of return, risk, and correlation over the long term.

The main sources of information used by TFA in our selection of asset classes for clients' portfolios are the following: Morningstar Principia mutual fund information, Morningstar Principia stock information, Value Line Investment Analyzer, and Advisor Intelligence—a service of Litman/Gregory Analytics, LLC. Other sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

The investment advice which TFA provides is based upon long-term investment strategies which incorporate the principles of Modern Portfolio Theory. The utilization of several different asset classes as part of an investor's portfolio is emphasized, as this has been shown to usually effect a reduction in portfolio volatility (*i.e.*, the standard deviation of the portfolio returns) over long periods of time. TFA allocates and diversifies the client's assets among various asset classes and then among individual investments, following the investment policy agreed to by the client.

TFA's investment approach is rooted in the belief that markets are fairly efficient (although not always rational) and that investors' gross returns are determined principally by asset allocation decisions. To say that markets are "efficient" means that the price of each stock (or other security) reflects all known information about the company involved. But fear and greed are well-known to produce situations where a stock's price is different from what a purely rational analysis of the company would suggest. For this reason, TFA prefers using mutual funds that are actively managed. Active managers with a long history of excellent performance can take advantage of inefficiencies in stock pricing, buying stocks whose price is too low and selling those whose prices are too high. A focus is provided on developing and implementing globally diversified portfolios, principally through the use of low-cost and tax-efficient actively managed stock and bond mutual funds that are generally available only to institutional investors and clients of advisers granted access to such funds. Investment policy and overall portfolio weightings between equities and fixed income investments are based upon each client's needs and desires, perceived risk tolerance and the need to assume various risks, and investment time horizon. The portfolios of clients may then follow models designed by TFA to fit the overall weightings of equities (stocks, stock mutual funds, etc.) and fixed income investments (notes, bonds, bond funds, CDs, etc.) in an investor's portfolio. TFA's philosophy is best suited for investors who desire a buy and hold strategy for a substantial portion of their funds. Even then, investing is inherently uncertain as to future returns. TFA considers both macro- and micro-economic factors for the purpose of weighing the risks and estimating the expected returns of various asset classes. TFA does not generally engage in market-timing activities.

For all clients, the investment portfolio's strategic asset class allocation is customized to meet the specific circumstances of a client (*e.g.*, the presence of investments in 401(k) or other accounts) as well as a perception of the client's understanding of the fundamental forces affecting risk and return in the capital markets. In addition, a client's initial or revised strategic asset allocation may be influenced by a review of the relative valuation levels of various asset classes and the investment time horizon of that client.

From time to time, asset class “bubbles” may occur, in which security prices are inflated beyond reasonable levels. When bubbles “burst”, the prices may fall below appropriate levels. In such cases, we may employ a temporary, tactical asset allocation strategy to take advantage of prices that are well below what we believe are appropriate.

Investment Strategies

The primary investment strategy used on client accounts is strategic asset allocation utilizing actively-managed funds. We rebalance portfolios at least annually. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. New clients’ existing investments are evaluated in light of the desired investment policy objectives. We work with new clients to develop a plan to transition from a client’s existing portfolio to the desired portfolio. Investment advice may be offered on any investments held by a client at the start of the advisory relationship.

Risk of Loss

Investing in securities involves a risk of loss that clients should be prepared to bear. TFA’s investment recommendations seek to limit risk through broadly diversified stock and bond mutual funds. However, the investment methodology will still subject the client to possible declines in the value of their portfolios, which can at times be dramatic.

Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment’s originating country. This is also referred to as exchange-rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a company's operations increases the risk of reduced profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

9: Disciplinary Information

TFA and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

10: Other Financial Industry Activities and Affiliations

Financial Industry Activities

The Financial Advisors, LLC is registered with the Securities and Exchange Commission as a Registered Investment Advisor.

TFA offers tax preparation services to clients for an additional fee. Clients are under no obligation to use this service.

Affiliations

TFA has arrangements material to its clients with Lincoln Financial Securities, a broker-dealer. All advisory representatives of TFA are registered representatives of Lincoln Financial Securities. TFA advisory representatives may only recommend products offered through LFS and with which LFS has a selling agreement.

TFA is a licensed Massachusetts insurance agency. Richard Sumberg, Robert Miller and Michael Kumph are licensed insurance agents.

TFA has existing relationships with other registered investment advisors for which it receives compensation.

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

Code of Ethics

TFA has adopted the Code of Ethics and Professional Responsibility standards stipulated by the Certified Financial Planner Board of Standards. The Code of Ethics is available for review by clients and prospective clients upon request.

Participation or Interest in Client Transactions

TFA and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of TFA's *Compliance Manual*.

Some additional services and non-direct monetary or other forms of compensation are offered and provided to TFA as a result of its relationships with custodian(s) and/or providers of mutual fund products. For example, TFA's investment advisors and employees may be invited to attend educational conferences and/or entertainment events sponsored by such brokerage firms or custodians or mutual fund companies. This represents a conflict of interest as it gives TFA advisors an incentive to recommend these investment products. TFA believes that the services and benefits actually provided to it by brokerage firms (custodians) and mutual fund providers do not materially affect the investment management recommendations made to clients of TFA.

Although TFA believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate, or at least minimize, potential material conflicts of interest, and to manage appropriately any material conflicts of interest that may remain, clients should be aware that no set of rules can possibly anticipate or relieve all potential material conflicts of interest.

Personal Trading

The Chief Compliance Officer of The Financial Advisors, LLC is Richard L Sumberg. He reviews all employee trades. His trades are reviewed by the compliance department of Lincoln Financial Securities. 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 mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

12: Brokerage Practices

Selecting Brokerage Firms

The Financial Advisors, LLC does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. TFA recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

TFA recommends Lincoln Financial Securities as broker-dealer who is a related party by virtue of the fact that all advisory representatives of TFA are registered representatives of LFS. Pershing LLC is the independent custodian for LFS.

Clients should understand that TFA recommends that MP and WM accounts be held by Pershing through LFS. Clients should recognize that by directing the use of a particular broker-dealer, TFA may be unable to achieve best execution (if applicable).

Financial planning and advisory clients are under no obligation to purchase investment or insurance products or brokerage services from TFA or any person or firm with which TFA is affiliated. Clients are informed that they are under no obligation to implement financial planning or investment recommendations through TFA but they may choose to do so.

Best Execution

Most of the trading done by TFA is in mutual funds so best execution is not an issue. If a client wishes to buy or sell a stock or bond the trade is executed by Pershing as the custodian for LFS. LFS has established a Best Execution Review Committee. LFS reviews the execution of trades processed through Pershing.

Soft Dollars

The Financial Advisors, LLC does not accept soft dollar consideration.

Order Aggregation

TFA does not aggregate trades as most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

13: Review of Accounts

Periodic Reviews

Model portfolio reviews are performed at least quarterly by the TFA Investment Committee. Account reviews are performed at least annually and often more frequently when market or client conditions dictate.

Review Triggers

Conditions that may trigger an additional portfolio review, account review, or both, are changes in the tax laws, new investment information, changes in a client's circumstances or at a client's request.

Regular Reports

At annual reviews clients receive written updates in the form of an Annual Financial Review packet. The written updates may include a financial statement, asset allocation spreadsheet, retirement illustration, performance report, a summary of their estate plan and insurance as well as a summary of objectives and progress towards meeting those objectives.

14: Client Referrals and Other Compensation

Referrals

The Financial Advisors, LLC has been fortunate to receive many client referrals over the years. The referrals have come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals. The Financial Advisors, LLC does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Other Compensation

The Financial Advisors, LLC does not accept any compensation from sources other than those described above in Item 5: Fees and Compensation.

15: Custody

Account Statements

TFA does not have custody of any client assets. All assets are held by independent qualified custodians who provide account statements at least quarterly directly to clients at their address of record.

Financial Statements

Clients are frequently provided financial statements by TFA. Financial statements contain approximations of bank account balances as well as the value of land and hard-to-price real estate which are provided by the client. The financial statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

16: Investment Discretion

TFA does not accept discretionary authority to manage securities accounts on behalf of clients. TFA will consult with each client prior to each trade to obtain agreement.

17: Voting Client Securities

TFA does not vote proxies on securities. Clients receive proxies directly from their account custodian and are expected to vote their own proxies. Clients with questions about a specific proxy solicitation may call their advisor for a recommendation. If a conflict of interest exists, it will be disclosed to the client.

18: *Financial Information*

TFA does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

19: *Business Continuity Plan*

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

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornadoes and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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

20: *Information Security Program*

Information Security

TFA maintains an information security program to reduce the risk that your personal and confidential information may be breached.

Privacy Notice

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

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

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person.

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

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to

your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

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

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

21: Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

The Financial Advisors, LLC requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a PFS, a CRPC®, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planner (CFP®):

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board (www.cfp.net).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

Enrolled Agent (EA): Enrolled Agents are enrolled by the Internal Revenue Service

- Successful completion of the three-part IRS Special Enrollment Examination (SEE), or completion of five years of employment by the IRS in a position which regularly interpreted and applied the tax code and its regulations.
- Successfully pass the background check conducted by the IRS.

Chartered Retirement Planning Counselor (CRPC®)

- Successful completion of examination and course work encompassing pre and post retirement needs, asset management, estate planning and the entire retirement planning process.

Certified Public Accountant (CPA)

- Bachelor's degree from an accredited college or university.
- Successful completion of the Uniform CPA Examination.
- Three year qualifying full-time work experience.
- Passage of Uniform CPA Examination.

Personal Financial Specialist (PFS)

- CPA designation
- 3000 hours of personal financial planning work experience
- Successful completion of PFS examination

Richard L Sumberg
Born 1946

Educational Background:

- BSBA from Boston College
- MBA from Suffolk University

Business Experience:

- Dick founded TFA in 1991.

Disciplinary Information: None

Other Business Activities: Dick is a registered representative of Lincoln Financial Securities and a licensed insurance agent. As such he may receive compensation in the form of commissions for the sale of insurance, annuities and load mutual funds. This creates a potential conflict of interest in that the commissions may lead Dick to recommend investment products based on the compensation rather than the client's needs.

Additional Compensation: None

Supervision: Dick is the managing member of the Financial Advisors, LLC and the principal of the Office of Supervisory Jurisdiction for Lincoln Financial Securities. He supervises all employees of TFA and all persons registered with LFS.

Robert C Miller, CFP®
Born 1962

Educational Background:

- BA from Boston College
- MBA from The Carroll School of Management Boston College

Business Experience:

- Bob has been employed by TFA since 1994

Disciplinary Information: None

Other Business Activities: Bob is a registered representative of Lincoln Financial Securities and a licensed insurance agent. As such he may receive compensation in the form of commissions for the sale of insurance, annuities and load mutual funds. This creates a potential conflict of interest in that the commissions may lead Bob to recommend investment products based on the compensation rather than the client's needs.

Additional Compensation: None

Supervision: Bob is supervised by Richard L. Sumberg, CCO. He reviews Bob's work through frequent office interactions as well as remote interactions. He also reviews Bob's activities through our client relationship management system.

Dick's contact information: 978-475-3242 or dicks@tfa.bz

Michael Kumph, CFP®

Born 1975

Educational Background:

- BS from Bentley College
- MS from Bentley College Graduate School of Business

Business Experience:

- Michael has been employed by TFA since 1998

Disciplinary Information: None

Other Business Activities: Michael is a registered representative of Lincoln Financial Securities and a licensed insurance agent. As such he may receive compensation in the form of commissions for the sale of insurance, annuities and load mutual funds. This creates a potential conflict of interest in that the commissions may lead Michael to recommend investment products based on the compensation rather than the client's needs.

Additional Compensation: None

Supervision: Michael is supervised by Dick Sumberg, CCO. He reviews Michael's work through frequent office interactions as well as remote interactions. He also reviews Michael's activities through our client relationship management system.

Dick's contact information: 978-475-3242 or dicks@tfa.bz

Patricia A Quinn, CRPC®

Born 1956

Educational Background:

- BA from Merrimack College

Business Experience:

- Patty has been employed by TFA since 1995

Disciplinary Information: None

Other Business Activities: Patty is a registered representative of Lincoln Financial Securities.

Additional Compensation: None

Supervision: Patty is supervised by Dick Sumberg, CCO. He reviews Patty's work through frequent office interactions as well as remote interactions. He also reviews Patty's activities through our client relationship management system.

Dick's contact information: 978-475-3242 or dicks@tfa.bz

Louis Bonasera, CPA, PFS

Born 1967

Educational Background:

- BSBA from Merrimack College
- MS Northeastern University.

Business Experience:

- Lou has been employed by TFA since 2000

Disciplinary Information None

Other Business Activities: Lou is a registered representative of Lincoln Financial Securities.

Additional Compensation: None

Supervision: Lou is supervised by Dick Sumberg, CCO. He reviews Lou's work through frequent office interactions as well as remote interactions. He also reviews Lou's activities through our client relationship management system.

Dick's contact information: 978-475-3242 or dicks@tfa.bz

Michael Dempsey, CFP®, EA

Born 1959

Educational Background:

- BSCS from the Rochester Institute of Technology

Business Experience:

- Mike has been employed by TFA since 2008
- Prior to that he was employed by IBM

Disciplinary Information: None

Other Business Activities: Mike is a registered representative of Lincoln Financial Securities.

Additional Compensation: None

Supervision: Mike is supervised by Dick Sumberg, CCO. He reviews Mike's work through frequent office interactions as well as remote interactions. He also reviews Mike's activities through our client relationship management system.

Dick's contact information: 978-475-3242 or dicks@tfa.bz