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DBA Stone House Retirement Income Planners**

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**MARCH 30, 2020**

**FORM ADV PART 2a  
DISCLOSURE BROCHURE**

This Brochure provides information about the qualifications and business practices of Stone House Investment Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 570-278-6926. 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 Stone House Investment Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Stone House Investment Management, LLC is 139410.

Stone House Investment Management, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2      Summary of Material Changes

Investment advisers are required to amend their Form ADV Part 2A disclosure brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated April 19, 2019, there have been no material changes to our Form ADV.

If you have questions about any of these changes, please contact Raymond Scott Stone, our firm's Chief Compliance Officer, at (570) 836-7020.

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Description of Services and Fees

We are a registered investment adviser based in Tunkhannock, Pennsylvania. We are organized as a limited liability company under the laws of the State of Delaware. Our firm has been providing investment advisory services since 2004 through various successions involving legal name changes and/or ownership changes. Raymond Scott Stone, Robert Brown, and John Burke are the owners of our firm.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this Brochure, the words "we", "our" and "us" refer to Stone House Investment Management, LLC d/b/a Stone House Retirement Income Planners and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Asset Management Services

We offer discretionary asset management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for asset management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our asset management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. We may also invest your assets using a predefined strategy, or we may invest your assets according to one or more model portfolios developed by our firm. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances. In addition, clients have the option to select an enhancer, "FLEX", to our investment management strategies listed below that uses volatility measures to determine if a portion of the equity portfolio should be moved to money market funds until the volatility subsides.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a limited power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

As part of our asset management services we may use one or more sub-advisers to assist us with managing your account on a discretionary basis, or we may recommend that you engage a third-party investment adviser to assist with the management of your account(s). In both instances we will regularly monitor the performance of your accounts. Depending on the circumstances your account may be billed for one advisory fee that will be distributed to the respective investment advisers managing your account(s), or your account may be billed separately for each investment adviser's advisory fee. All terms of the advisory relationship(s), including fees and payment arrangements, will be subject to a written agreement between you and our firm, and to the extent applicable, between you and the third-party investment adviser. You will also receive a disclosure document from any third-party investment adviser that you engage. Please do not hesitate to contact us if you have any questions about these relationships.

### **Risk Based Allocation Strategies**

*Diversidex* - With Diversidex, we design allocations to low-cost, index-style ETF's to minimize the expenses of the investment strategy. The investment approach focuses on smart, long-term allocations to areas of the financial markets that present good opportunities to our clients.

Diversidex places the focus on reducing the costs of a well-constructed, diversified portfolio at the sacrifice of having securities analysts picking individual stocks, bonds, commodities and other investments that they believe will outperform the averages.

*Essential* - Traditional Separate Account Management. The Essential Portfolios use traditional asset allocation and investment management techniques to provide a smartly diversified portfolio of primarily ETFs and index mutual funds. Managed mutual funds may also be used which employ securities analysts to pick and choose specific stocks, bonds, commodities and other investments in an attempt to outperform their peers. The goal of these analysts is to increase return and decrease volatility, but these funds typically come with higher expenses.

*Cornerstone* - Traditional Separate Account Management. The Cornerstone Portfolios use many asset classes, such as commodities, alternatives and real estate. This is designed to reduce correlation to just traditional stocks and bonds. These portfolios can use a mix of professionally managed mutual funds as well as low-cost index ETFs. This portfolio is a good complement to other traditional investment portfolios.

*Keystone* - Premier Separate Account Management. We provide management of client assets using our proprietary strategies in addition to providing basic investment advisory services as well as maintenance and servicing of accounts. Our Keystone Portfolios are the flagship of our firm. These in-house managed accounts use a unique management philosophy that we created after a great deal of research and design. Ultimately, we wanted to create a portfolio that could potentially make money in any market condition without subjecting our clients to excessive risk.

*Strategic ETF* - This dynamic ETF allocation strategy moves money between Exchange Traded Funds to take advantage of short and long-term investment trends. Investments are made in several broad categories, but the strategy will also look to take advantage of specific parts of the stock and bond markets which the strategist believes are underpriced. These positions are all weighted to maintain overall risk near a target level.

### **Tactical Growth Strategies**

*Tactical Growth* - This strategy uses a very active market-directional strategy on the S&P 500 for a portion of client assets and compliments it with longer-term, diversified holdings in other assets for the larger portion of the portfolio. This is a growth oriented strategy, but includes broad diversification of assets. This strategy serves best as a compliment to your core Risk Based Allocation Strategies described above or other portfolio holdings.

*Daily Directional* - Our Daily Directional Strategy is an active, non-diversified portfolio management strategy. It uses market-directional strategies to invest in either an S&P 500 Index Mutual Fund/ETF, or in a money market account based on our analysis of how likely it is that the S&P 500 will rise in the coming days. This strategy is best used as a compliment to your core Risk Based Allocation Strategies described above, or other portfolio holdings.

## **Institutional Management**

*Brinker Capital* - Brinker Capital specializes in managing money for institutional and high-net-worth clients. Brinker's Destinations portfolios offer a lengthy track history of successfully navigating markets and make attractive options for organizations who have specific due diligence requirements regarding asset management firms. The assets are managed directly by Brinker from within our advisory infrastructure giving institutions and high-net-worth investors the best of Stone House's fiduciary oversight and Brinker's investment management research.

## **Specialty Portfolios**

*Custom Account Management* - We provided management of client assets that can incorporate client directed holdings, securities of many types, and client specific management strategies. This is an open structure management platform and will be custom tailored to your needs. We also provide basic investment advisory services as well as maintain and service the account.

*Sentinel Portfolio Management* - As an added benefit to our clients, we may offer to provide service and supervision to certain custom assets upon client request to clients who also use, or intend to use, our other portfolio management strategies and services.

## **Financial Planning Services**

We offer broad-based, modular, and consultative financial planning services. Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we specify those long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. Once we review and analyze the information you provide to our firm, we may deliver a written plan to you, designed to help you achieve your stated financial goals and objectives. Clients may also engage our firm for on-going, annual retainer services.

As part of our financial planning services we also offer project-based services, including:

*Portfolio Risk Analysis* - First, we will determine your Risk Tolerance and Return Needs by asking you a series of questions. Then we will review your current investment portfolio and provide you with an analysis of your holdings. We will evaluate the potential for volatility that exists in your portfolio and make recommendations of changes if we determine that amount of risk in your portfolio is too low or too high for your specific needs.

*Future You Retirement Income Analysis* - We will model out your future retirement based on your goals and expectations, then we will create approximately 1000 different versions of your future based on different investment returns that you may experience over your lifetime. We will then show you how likely you are to achieve your retirement goals by evaluating these 1000 different versions. If your probability of success is too low, we will make recommendations of how you can improve your chances of success and show you how these changes will improve your chances of having enough money for all the years of your retirement.

*LifeStack Financial Life Planning* - Your financial life is huge. Bigger than you probably realize. There are many moving parts and it is hard to get control of all of them. With our LifeStack Card Deck, we will organize and evaluate approximately 18 different aspects of your financial life so you can finally feel like you are in control.

Financial planning services are based on your financial situation at the time we present our recommendations to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or needs change. You are under no obligation to act on our financial planning recommendations. Should you

choose to act on any of our recommendations, you are not obligated to implement our recommendations through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

#### Sub-Advisory Services to Registered Investment Advisers

We offer sub-advisory services to Women of Substance, LLC (CRD #281650) ("Primary Investment Adviser"), an unaffiliated third-party investment adviser. As part of these services, we will provide model portfolios, which the Primary Investment Adviser selects for their clients. While we are responsible for the overall management of the assets delegated to our firm, we will not communicate investment recommendations or selections directly to the Primary Investment Adviser's individual clients. The Primary Investment Adviser will be responsible for selecting the appropriate model for its clients. Sub-advised assets will be managed to the model's parameters, not to the needs of the individual clients. In limited circumstances, we may provide custom management of portfolios as requested by the Primary Investment Adviser.

#### Selection of Third-Party Money Managers

A registered third-party investment adviser whose investment styles and strategies suit the client's individual needs and financial objectives may be recommended by our Associated Persons. The investments in these accounts are managed by Money Managers who specialize in the particular types of securities or strategies. Stone House will be responsible for monitoring these investments for compliance with the client's financial situation, investment objectives, and risk tolerance. The selected Third-Party Money Manager will be responsible for securities selection according to the strategy selected. The client will be provided with the disclosure documents for any Third-Party Money Manager recommended for investment in the client's accounts.

#### Wrap Fee Program(s)

Our firm does not participate in any wrap fee programs.

#### Types of Investments

We generally offer advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, US Government securities, options contracts on securities, and interest in partnerships investing in real estate, oil and gas interests, and others. Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship. You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

#### Assets Under Management

As of March 3, 2020, we provide continuous management services for \$271,407,046 in client assets on a discretionary basis.



## Item 5 Fees and Compensation

### Asset Management Services

The Asset Management Fee ("Management Fee") shall consist of the Planning & Advisory Fee (A) and Portfolio Management Fee (B), and the Third-Party Strategy Fee (C) (if applicable). The Management Fee will be assessed to your account and will be equal to the sum of the Advisory Fee (A), the Portfolio Fee (B), and the Third-Party Strategy Fee (C) (if applicable). Our minimum management fee is \$825 per year.

Our maximum annual management fee shall be set forth according to the blended fee schedule below:

TOTAL CLIENT BILLABLE ASSETS	PLANNING & ADVISORY FEE	PORTFOLIO MANAGEMENT FEE	COMBINED FEE
First \$250,000*	0.50%	1.15%	1.65%
Next \$250,000	0.42%	1.05%	1.48%
Next \$500,000	0.27%	0.70%	0.97%
Next \$500,000	0.20%	0.60%	0.80%
Over \$1,500,000	0.10%	0.30%	0.40%

\*For instance, the total maximum Combined Fee for a portfolio with a \$750,000 balance would be calculated as follows: the first \$250,000 would be billed at a maximum rate of 1.65%; the next \$250,000 would be billed at a maximum rate of 1.48%; and, the next \$250,000 would be billed at a maximum rate of 0.97%.

Sentinel Portfolios: Our annual fee for Sentinel Portfolio services is 0.20% of the assets under management with a maximum fee of \$250. Sentinel accounts are not included for purposes of calculating discounts in our blended tiered fee schedule noted above.

Our annual portfolio management fee is typically billed and payable quarterly in advance based on the average daily value of your account during the previous quarter; however, we reserve the right to negotiate other fee payment arrangements, such as quarterly in arrear payments. At our discretion we may waive up to \$500 in investment management fees annually to offset your expenses for certain professional fees (i.e., accountant, attorney, tax preparation, etc.) that the client may incur as part of implementing our investment advice.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable depending on individual client circumstances, including grandfathered clients who were subject to a different fee schedule prior to becoming a client of our firm.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- We send you an invoice showing the amount of the fee, the value of the assets on which the fee is based, and the specific manner in which the fee was calculated.
- The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts dispersed from your account including the amount of the advisory fee paid directly to our firm.

You may terminate the portfolio management agreement upon 5 business days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have prepaid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian, please call our main office number located on the cover page of this Brochure.

### Financial Planning Services

We offer financial planning services on an hourly, fixed fee or annual retainer basis.

Our fixed fee for financial planning services generally ranges from \$250 to \$1,000 and our hourly fee is billed at \$185 payable in advance. These fees are negotiable depending upon the complexity and scope of the plan, your financial situation, and your objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee.

For annual retainer services we offer a tiered structure with Bronze, Silver or Gold services billable on a monthly basis at \$99, \$299 or \$399, respectively. For clients retaining our financial planning and consulting services on a retainer basis, a discount on our asset management services of 15%, 30%, and 50% is available for the Bronze, Silver, and Gold retainer services, respectively. The fees for annual retainer services may be billed and payable in advance on either a monthly, quarterly or semi-annual basis. Before you engage us for annual retainer services, we will discuss the different payment methods and options that are available to you. The agreed upon payment arrangement and all other terms will be clearly stated in the retainer agreement that you sign with our firm.

Our fees for our standard project-base services are due upon completion of services rendered, and are set forth as follows:

- Portfolio Risk Analysis: \$299
- Future You Retirement Income Analysis: \$349
- LifeStack Financial Life Planning: \$875

We may, at our sole discretion waive or lower the financial planning fee (fixed fee or hourly fee). We may also waive the financial planning fees up to \$500 annually to offset client expenses for certain professional fees (i.e., accountant, attorney, tax preparation, etc.) that you may incur as part of implementing the financial plan. If you are dissatisfied with the financial planning services for any reason, we reserve the right to issue you a full refund. You have thirty (30) days from the completion of the financial plan or hourly consultation to request a refund.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre- paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

**Sub-Advisory Services:** A sub-advisory fee will apply to portfolio management strategies that are managed by third parties on behalf of our firm. This fee may be charged by Stone House or by the Third Party in a separate fee deduction. Typically, these fees will be deducted quarterly, but may be deducted monthly. Certain strategies may have minimum monthly, quarterly, or annual fees. The Client agrees to pay any such fees charged by third party strategies. All terms of the engagement with the third-party adviser will be set forth in a separate agreement.

### Sub-Advisory Services for Registered Investment Advisers

Fees and payment arrangements are negotiable and will vary on a case-by-case basis depending on the Primary Investment Adviser's relationship with their client. Stone House will assess an advisory fee that will not exceed 1.50% per annum for these services. Fees will be assessed and collected by Stone House directly from sub-advised client accounts. Fees may be charged in advance or in arrears as negotiated between the parties.

### Fees Charged by Third-Party Money Managers

Clients whose account(s) are managed by a Third-Party Money Manager will pay fees to Stone House as well as to each Third-Party Money Manager which has its own fee schedule disclosed in their Form ADV Part 2A. The Third-Party Money Manager charges their fee separately from Stone House. In addition to the agreement with Stone House, clients will execute an agreement directly with the Third-Party Money Manager which will identify the advisory fees to be charged and calculation method.

### Additional Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through which your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

### Compensation for the Sale of Securities or Other Investment Products

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm. At our discretion, we may offset our advisory fees to the extent our Associated Persons earn commissions in their separate capacities as insurance agents.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

## Item 7      Types of Clients

We generally offer investment advisory services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, other business entities, and other investment advisers. We impose account minimums on some, but not all, of our Asset Management Platforms with a minimum annual management fee of \$825.

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

### Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Charting Analysis - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- Fundamental Analysis- involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends.
- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- Short Sales-a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.
- Margin Transactions - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- Option Writing - a securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

*Charting and Technical Analysis* - The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

*Fundamental Analysis* - The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

*Cyclical Analysis* - Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

We may use investment strategies that involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

Our investment strategies use active management of investments which may utilize shorting, leverage, futures and options contracts. Though our strategies are designed to try to decrease downside risk, without active management, leveraged investments generally carry higher levels of volatility and, therefore, downside risk than their corresponding indexes. These investments are by no means risk free and should be considered carefully by you before investing in our strategies.

#### Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

#### Recommendation of Particular Types of Securities

As disclosed under Item 4 of this Brochure, we recommend all types of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Commercial Paper (CP) is, in most cases, an unsecured promissory note that is issued with a maturity of 270 days or less. Being unsecured the risk to the investor is that the issuer may default. There is a less risk in asset based commercial paper (ABCP). The difference between ABCP and CP is that instead of being an unsecured promissory note representing an obligation of the issuing company, ABCP is backed by securities. Therefore, the perceived quality of the ABCP depends on the underlying securities.

Certificates of deposit are generally the safest type of investment since they are insured by the federal government. However, because the returns are generally very low, it's possible for inflation to outpace the return. Likewise, US Government securities are backed by the full faith and credit of the United States government but it's also possible for the rate of inflation to exceed the returns.

Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to, the class of stock (for example, preferred or common), the health of the market sector of the issuing company, and the overall health of the economy. In general, larger, more well-established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities.

Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

Options and warrants give an investor the right to buy or sell a stock at some future time at a set price. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited. The main difference between warrants and call options is that warrants are issued and guaranteed by the issuing company, whereas options are traded on an exchange and are not issued by the company. Also, the lifetime of a warrant is often measured in years, while the lifetime of a typical option is measured in months.

A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner does not usually invest any capital, but has management authority and unlimited liability. That is, the general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and confine their participation to their capital investment. That is, limited partners invest a certain amount of money and have nothing else to do with the business. However, their liability is limited to the amount of the investment. In the worst case scenario for a limited partner, he/she loses what he/she invested. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership.

A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point the contract will terminate and the remainder of the fund accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the

performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as: mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return.

Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax- deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds, and mutual funds do. Some variable annuities offer "bonus credits". These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges) the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.

## Item 9 Disciplinary Information

Stone House has been registered and providing investment advisory services since 2004. Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

## Item 10 Other Financial Industry Activities and Affiliations

We do not have any financial industry activities, affiliations or relationships that are material to our advisory business or to our advisory clients except as listed below.

### Arrangements with Affiliated Entities

In addition to being registered as an investment adviser, our firm is also licensed as a corporate insurance agent. Therefore, persons providing investment advice on behalf of our firm may also be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. Our Associated Persons acting in the capacity as insurance agents may allocate up to 20% of their time to these activities. Please see the "Fees and Compensation" section in this Brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

### Recommendation of Third-Party Money Managers

We may recommend that you use a third-party Money Managers based on your needs and suitability. We may share in the fee that you pay to the third-party investment adviser or you may pay separate fees to our firm and the respective third-party Money Managers. Please see Item 4 above for more information on these types of relationships.

### Lawyer or Law Firm

Associated Persons of our firm are also separately licensed to practice law. If you require legal services, we may recommend that you use the services of an attorney that is associated with our firm. You are under no obligation to use these services and may choose any attorney for whom you have a relationship. Our advisory services are separate and distinct from the compensation paid for legal services.

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

### Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Persons associated with our firm are required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Scott Stone, Chief Compliance Officer, at (570) 278-6926.

### Participation or Interest in Client Transactions

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

### Personal Trading Practices

Our firm and its Associated Persons may buy or sell securities for you at the same time we or our Associates Persons buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## Item 12 Brokerage Practices

### TD Ameritrade Institutional and Fidelity Institutional Wealth Services

We participate in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade "), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program.

As disclosed above, we participate in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to you for custody and brokerage services. There is no direct link between our participation in the Program and the investment advice we give you, although we receive economic benefits through our participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to your accounts); the ability to have advisory fees deducted directly from your accounts; access to an electronic communications network for order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and



professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit us but may not benefit your accounts. These products or services may assist us in managing and administering your accounts, including accounts not maintained at TD Ameritrade.

Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to you, we endeavor at all times to put your interests first. You should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

In selecting a broker dealer we will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, and other services. In recognition of the value of research services and additional brokerage products and services TD Ameritrade provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Refer to Item 14 Client Referrals and Other Compensation for additional disclosures on this topic.

Additionally, we recommend the brokerage and custodial services of Fidelity Institutional Wealth Services and its affiliates (collectively referred to as "Fidelity"), a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

Factors that we consider in recommending Fidelity and TD Ameritrade or any other broker-dealer to you include their respective financial strength, reputation, execution, pricing, research, and service. Fidelity and TD Ameritrade enables our firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity and TD Ameritrade may be higher or lower than those charged by other broker-dealers. The commissions you pay shall comply with our duty to obtain "best execution." However, you may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness.

Consistent with the foregoing, while we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client transactions. If you request that we arrange for the execution of securities brokerage transactions for your account, we will direct such transactions through broker-dealers that we reasonably believe will provide best execution. We will periodically and systematically review our policies and procedures regarding recommending broker-dealers to you in light of our duty to obtain best execution.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker- dealers in return for investment research products and/or services which assist our firm in the investment decision-making process. Such research generally will be used to service all of our clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest. We may receive from Fidelity, without cost to our firm, computer software and related systems support, which allow us to better monitor your accounts maintained at Fidelity and TD Ameritrade. We may receive the software and related support without cost because we render investment management services to clients that maintain assets at Fidelity. The software and related systems support may benefit our firm, but not you directly. In fulfilling our duties to you, we endeavor at all times to put your interests first. You should be aware; however, that our receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence our choice of broker- dealer

over another broker-dealer that does not furnish similar software, systems support, or services. Additionally, we may receive the following benefits from Fidelity through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

We are also an approved third-party investment advisor for Jefferson National Life Insurance ("Jefferson National") variable annuity contracts. Jefferson National is an affiliate of Nationwide Life Insurance Company. Jefferson National provides an internet trading platform at no cost to us or you and offers fee deduction directly from the annuity to us for investment advisor fees. Jefferson National offers a variety of Variable Annuity products that offer many investment options and allow for our active management strategy. We may recommend these products to you if it is suitable. Jefferson National also provides informational seminars and provides free Continuing Education Credits, in which members of our firm may participate.

#### Research and Other Soft Dollar Benefits

As a registered investment adviser, we may have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the service platforms of these firms and are not considered to have been paid with soft dollars. The receipt of such products and/or services creates a conflict of interest since our firm may benefit from such products and/or services. In efforts to mitigate this conflict, it is our firm's policy to act in our clients' best interest, and to use these products and/or services for the benefit of all our clients. Clients should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

#### Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

#### Directed Brokerage

We routinely require that you direct our firm to execute transactions through Fidelity. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

## Block Trades

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

## Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

## **Item 13      Review of Accounts**

When we are acting as the primary advisor on your account(s), reviews will be made available at least annually and no more than quarterly. The reviews will be performed by the Investment Advisor Representative of our firm who oversees your account(s). These reviews may be initiated by the Investment Advisor Representative, by our office staff, or at your request. In addition to regular reviews, you are encouraged to update your plan and portfolio in the event of any significant change to your lives or manner of thinking. During reviews, you may receive a number of reports and documents such as: Statement of Net Worth, Asset Allocation, Investment Policy Statement, Cash Flow, Performance, etc. When our firm is acting as a sub-advisor our firm and the primary advisor will define if and how often reviews will be made available by us to the Primary Advisor and/or to you. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

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

As disclosed under the "Fees and Compensation" section in this Brochure, individuals providing investment advice on behalf of our firm are licensed insurance agents. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

We may directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this Disclosure Brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires or a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral

relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable. Our firm may receive reimbursement of travel related expenses incurred as part of due diligence examinations of third-party investment advisers and service providers.

As disclosed above under Item 12, we participate in TD Ameritrade's Institutional Customer Program ("Institutional Program") and we may recommend TD Ameritrade to clients for custodial and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. Please review Item 12 above for further detail.

Clients should be aware, however, that the receipt of economic benefits by our firm or our Associated Persons in and of themselves creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

## Item 15 Custody

### Fee Billing

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements received from the custodian for accuracy.

### Disbursement Authorization

Our clients may establish standing letters of authorization ("SLOAs") for our firm, through the client's acting custodian(s), to assist with client requested transfers and/or disbursements. Where we have an SLOA in place to transfer and/or disburse client funds, and such arrangements meet the criteria set forth in the SEC Custody Rule guidance (issued February 2017), we are deemed to have custody. Consequently, we have taken steps to implement controls in efforts to comply with the SEC's Custody Rule guidance (SEC No-Action Letter dated February 21, 2017; SEC Custody Rule FAQ II.4; and, IM Guidance Update No. 2017-01), including, but not limited to: (1) adhering to the seven conditions specific to Standing Letters of Authorization delineated in the SEC No-Action Letter; and, (2) amending our Form ADV. Since many of the seven conditions involve the qualified custodian's operations, we will collaborate closely with our clients' acting custodian(s) in efforts to ensure that the representations are being satisfied.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms. You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services. If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

## Item 17      Voting Client Securities

### Proxy Voting

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder. In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation. Further, we do not initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

## Item 18      Financial Information

We are not required to provide financial information to our clients because we do not: (1) require the prepayment of more than \$1,200 in fees and six or more months in advance; or, (2) take custody of client funds or securities; or, (3) have a financial condition that is reasonably likely to impair our ability to meet our commitments to you. Our Firm has never been the subject of a bankruptcy petition.

### Privacy Notice

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We will never sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Scott Stone, Chief Compliance Officer at (570) 836-7020, if you have any questions regarding this policy.