

# ***Matson Financial Advisors, Inc***

## Investment Adviser Disclosure Brochure

This disclosure brochure updated February 26, 2020 provides clients and prospects with information about the qualifications and business practices of Matson Financial Advisors, Inc. The main office is located at 4 Mountainview Terrace, Suite 104 in Danbury, CT 06810. The secondary office is located at 42 Wheeler Road, Litchfield, CT 06759.

If you have questions about the content of this brochure you may contact the firm through our website [www.matsonfinancialadvisors.com](http://www.matsonfinancialadvisors.com) or contact Michael Matson, President of Matson Financial Advisors, Inc. at (203) 743-0131.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority. Additional information about Matson Financial Advisors, Inc. is available on the Internet at [www.adviserinfo.sec.gov/IARD/](http://www.adviserinfo.sec.gov/IARD/). You can search this site by a unique identifying number known as a CRD number. The CRD number for Matson Financial Advisors, Inc. is 122480.

## 2. Material Changes

Any material changes to this document will be noted in this section after our original filing to keep you informed of any new or updated information. We will ensure that a summary of material changes to this and subsequent Brochures will be sent to you within 120 days of the close of our fiscal year (currently 12/31) without charge.

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## 4. Advisory Business

### Our Company

Michael Matson is the President and founder of Matson Financial Advisors, Inc., (hereinafter referred to as MFA). MFA is an independent investment advisory firm registered with the United States Securities and Exchange Commission. Since 1994, MFA has provided Wealth Management services by combining financial planning and investment advice for individuals, families, organizations and business entities. At MFA, our experienced, objective Investment Adviser Representatives (IARs) use two elements of effective wealth management – financial planning and investment management – to help clients work towards achieving financial control, stability and peace of mind.

### Our Mission

We aspire to be a thought-leading advisory firm of visionary dreamers and actionary doers where caring professionals share their expertise and passion in extending comprehensive financial planning advice in a spirit of collegial partnership with other advisors. We move each unique client hand-in-hand toward financial security, independence and peace of mind in accordance with the highest professional and ethical standards.

### Our Process

MFA will gather client information through an in-depth personal interview. During this interview, MFA will listen to client's concerns and goals. They will discuss financial objectives; gather asset, liability and cash flow data; and determine the adequacy of the client's insurance protection. In addition, related financial, employment, legal and insurance documents supplied by the client are also carefully reviewed. Based on this information shared in meetings and additional data provided by client, MFA may prepare a written comprehensive wealth management strategy that encompasses specific planning, investment and/or insurance solutions to achieve the client's stated goals.

#### Our Difference

Believing that clients are entitled to know the costs of services in advance, MFA determines the annual wealth management planning fee based on the types and level of services actually provided rather than aligning the fee specifically to the value of client assets or net worth. This accountability and predictability of the fee affords clients the confidence that important milestones are being met as intended with costs clearly defined for advisory services. MFA provides financial planning and investment advisory "deliverables" which assist in determining the scope of work required by client. From these deliverables selected by the client, the firm has a clear understanding of the servicing responsibilities and is committed to working with the client to help the client stay on track to achieving their stated objectives. The planning/advisory relationship is broader and deeper than just making investment recommendations and handling trade transactions.

Other Wealth Management Planning Services - Wealth Management services may include, as applicable, all or a combination of the following services:

*Online financial planning and investment account access offering updated consolidated financial plan, investment, banking and insurance values with secure online access.*

*Determine methodology and outline all sources of income to provide a predictable stream of inflation-adjusted income over time.*

*Annual review meeting with IAR to update goals, progress being made toward achieving goals, adequacy and sources of current income and overview of financial well-being. Agenda items include status of beneficiary designations, update on insurance coverage/risk management, suggested changes to current strategy and a request for feedback on our working relationship.*

*Semi-Annual planning discussions with IAR and other professional staff to update goals, progress being made toward achieving goals and overview of financial well-being. Special focus will be a discussion on highlights of current economic and market events and sharing ideas surrounding a forward-looking capital markets outlook.*

*Year-end tax planning discussion to identify potential tax-advantaged adjustments prior to calendar year-end. Our office will strive to maintain current cost basis data for all non-qualified positions.*

*Coordinate planning efforts with other professional IARs, including insurance, legal and tax experts, including strategies for philanthropy, planned giving and multigenerational planning.*

*Consultation regarding clients' estate planning objectives and defining their Legacy.*

*Implement and maintain a customized Investment Policy Statement based on client objectives to be used in recommending appropriate asset allocation strategy.*

*Recommend a diversified investment allocation consistent with Investment Policy Statement. Allocation recommendations would take into account any "outside" assets, i.e. 401k, trusts, stock options, bank accounts, etc.*

*Coordinate and establish appropriate accounts and any paperwork required to complete related asset transfers.*

*Assist clients with determining annual required minimum distributions (RMD) from qualified assets.*

*Recommendations, as requested, regarding investment options available in the client's company sponsored retirement plan.*

*Preparation of quarterly or semi-annual Client Asset Allocation Summary Reports that provide client with specific account holdings, asset allocation breakdown and current market value of client positions for monitoring of portfolio strategy and allocation.*

*Evaluate specific portfolio holdings/investment managers quarterly.*

*Online client access to investment portfolio held at Pershing through secure website.*

*Telephone consultations as needed by client.*

We assist clients in asset allocation management on a non-discretionary basis.

As of February 2020, regulatory assets under management were **\$285,025,699.**

## **5. Fees and Compensation**

### **Fee Calculation**

Fees for planning/wealth management planning services will be charged as a fixed dollar fee. This planning/wealth management fee will typically range from \$2,500 to \$30,000 annually, depending on the particular services selected and on the nature and complexity of each client's circumstances. Selection of services is assessed through dialog with client to determine scope of services

required.

There is a minimum annual fee of \$2,500 for ongoing financial planning/wealth management services. Fee is subject to annual review and potential 3-5% increase. Client will be advised in advance of any change in fee.

Adviser will invoice client on a quarterly, semi-annual or annual basis in arrears. Generally this fee will be deducted directly from client assets held at custodian; however there may be situations where client will be invoiced for advisory fees incurred.

The firm has provided certain advisory services to select legacy clients on a percentage of assets under management/supervision compensation basis. Generally the fee ranges between .20% - 1.25% of assets. This method of compensation is at the discretion of the IAR.

If IAR receives compensation in the form of asset-based sales charges this can represent a conflict of interest. The Annual Fixed Fee arrangement is determined with an understanding that potential future revenue may be paid to IAR over time. Ongoing Annual Fixed Fee invoices will not be offset by future asset-based commission revenue.

#### General Ad Hoc Advice

We offer ad hoc advisory services that are generally one-time financial planning or consultative engagements for a flat dollar fee. This flat fee is disclosed upfront and is based on the time required to complete and complexity of the planning work requested by client. Examples of ad hoc planning would include goal funding analysis, assistance with estate planning/probate process, asset allocation review, plan for exercising employer issued options or restricted stock units, and review of personal or business insurance. This fee will generally range from \$500 to \$5,000 and would be payable once planning work is completed.

#### Mutual Fund and Exchange Traded Fund Fees

All fees paid to MFA for Planning/Wealth Management services are separate and distinct from the fees and expenses charged by mutual funds, annuities and/or exchange traded funds (ETF) to shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses such as a distribution fee (12b-1). A client can invest in a mutual fund or ETF directly without the services of MFA. Accordingly, the client should review both the fees charged by their fund investments and the advisory fees charged by MFA to fully understand the total amount of fees they are paying.

#### Trading and other Costs

All fees paid to MFA for Planning/Wealth Management services are separate and distinct from transaction fees charged by broker dealers associated with the purchase and sale of equity securities, fixed income securities and mutual funds. Client will be solely responsible for all commissions and other transaction/trading charges and charges related to the custody of securities in accounts managed by

IAR. The IAR may receive compensation in the form of asset-based sales charges and/or distribution fees (12b-1). In addition, the fees for investment advisory services or financial planning services do not include the professional services of any co-fiduciaries, accountants, brokers or attorneys.

#### Termination of Advisory Relationship

A client agreement may be canceled at any time by either party for any reason upon prior written notice. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement. Upon termination, it is client's responsibility to monitor the securities in accounts managed by Adviser, and Adviser will have no further obligation to act or advise with respect to those assets.

### **6. Performance-Based Fees**

No fee is charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client. (Section 205(a) (1) of the Advisers Act).

### **7. Types of Clients**

MFA provides Financial Planning and Wealth Management services by combining financial planning and investment management for:

Individuals	Trusts
Estates	Not-for-profit organizations
Retirement plans	Church endowments
For-profit business entities	

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

Client recognizes that there may be loss or depreciation of the value of any investment due to the fluctuation of market values. Client represents that no party to this Disclosure Brochure has made any guarantee, either oral or written, that client's investment objectives will be achieved. IAR shall not be liable for any error in judgment and/or for any investment losses in accounts managed by IAR in the absence of malfeasance, negligence, or violation of applicable law.

Advisory representatives may use, without limitation, any of the following methods of analysis, sources of information and investment strategies: fundamental and technical analysis; financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses and press releases. Advisory representatives may also utilize different investment strategies, based upon the needs of the client, which include long-term and short-term purchases.

Our portfolio management process emphasizes the significance of the relationship between the personal goals of our clients, asset allocation and trends in capital market expectations when developing customized, investment management strategies.

**Identify Client Objectives** - Clearly defining the short and long term goals of our clients remains the single most important step in our management process.

**Investment Policy Statement** - The Investment Policy Statement is a communication between the IAR and the client in forming an appropriate asset allocation strategy based upon the particular needs, objectives, and risk profile of the client. The IPS serves as a blueprint for the prudent investment of client assets from which an overall asset allocation strategy for various underlying investment vehicles can be created.

Our fiduciary responsibility requires that our overriding concern focuses upon the welfare of our clients and their individual goals. Of principal importance is the establishment of reasonable objectives, expectations, and guidelines in the investment of client assets as defined by the Investment Policy Statement.

**Determine Asset Allocation Strategy** - Combining the Investment Policy Statement guidelines with capital market expectations guides us in determining target asset class ranges within a client's investment portfolio. Permissible asset class weight ranges can also be used as a risk/volatility control mechanism.

Asset Class Correlation: Defined as the movement of one asset class in relation to another, this is essentially the cornerstone of developing an effective asset diversification strategy. Selecting investments that are not perfectly positively correlated has the ability to not only decrease portfolio volatility within an economic cycle, but also improve volatility-adjusted returns over time.

## **9. Disciplinary Information**

The firm (Adviser) and the individual IARs have no legal and disciplinary events to disclose and agree to fully disclose all material facts required in a timely manner.

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

Wayne Locke is a registered representative of Cetera Advisor Networks LLC (Cetera), a FINRA registered broker-dealer and may receive commissions on securities transactions. Licensed as a registered representative and IAR potentially presents a conflict of interest to the extent that Mr. Locke recommends a client invest in a security which results in a commission being paid to him. Approximately 10% of his time is spent in his capacity as a registered representative. Notwithstanding the fact that principals and associates of MFA may be registered representatives of Cetera, the investment advisor representative of MFA is solely responsible for the advice rendered. Advisory services are provided separately and independently of Cetera. Also, Mr. Locke is an Investment Adviser Representative (IAR) of MFA, and spends approximately 15% of his time in this capacity.

In addition, Mr. Locke is an IAR of Cetera and approximately 70% of his time is spent in this capacity. He may also engage in selling individual insurance (health, life, disability, and long-term care) and group retirement plans, including 401ks. Approximately 5% of his time is spent in this capacity.

David Wilson is a registered representative of Cetera Advisor Networks LLC (Cetera), a FINRA registered broker-dealer and may receive commissions on securities transactions. Licensed as a registered representative and IAR potentially presents a conflict of interest to the extent that Mr. Wilson recommends a client invest in a security which would result in a commission being paid to him. Approximately 5% of his time is spent in his capacity as a registered representative. Notwithstanding the fact that principals and associates of MFA may be registered representatives of Cetera, the investment advisor representative of MFA is solely responsible for the investment advice rendered. Advisory services are provided separately and independently of Cetera.

In addition, Mr. Wilson is an Investment Adviser Representative (IAR) of Cetera and approximately 65% of his time is spent in this capacity. Also, Mr. Wilson is an IAR of MFA and approximately 2% of his time is spent in this capacity. He may also engage in selling group retirement plans, including 401ks. Approximately 5% of his time is spent in this capacity.

Mr. Wilson's other business activities include: Owner/Member of two real estate holding companies, Family Real Estate 1839 Group LLC and 1920 Group LLC; Committee Member Litchfield Bancorp; Director VNA Northwest, Inc.; CT State Representative of the 66<sup>th</sup> District. Approximately 23% of his time is spent in this capacity.

Michael J. Matson is also a registered representative of Cetera Advisor Networks LLC (Cetera), a FINRA registered broker-dealer and may receive commissions on securities transactions. Approximately 15% of his time is spent in this capacity. This presents a potential conflict of interest to the extent that Mr. Matson recommends a client invest in a security which would result in a commission being paid to him. In addition to being a registered representative of Cetera he is also an investment adviser representative (IAR) of the Cetera RIA. He spends less than 2% of his time in this capacity. IARs of MFA provide planning and advisory services that are separate and independent of Cetera. Mr. Matson spends 73% of his time as an IAR of MFA.

In addition, individuals associated with MFA engage in selling group and individual insurance and group retirement plans, including 401ks, health, life, disability, dental and long-term care insurance. Approximately 10% of Mr. Matson's time is spent in this capacity.

Mr. Matson's other activities include: Volunteer Town of Brookfield, CT Retirement Benefits Advisory Board Committee; Volunteer Congregational Church of Brookfield Long Range Planning and Church Investment Advisors Committees; Member of M M Mountain View LLC.

## **11. Code of Ethics, Participation in Client Transactions and Personal Trading**

MFA has adopted a Code of Ethics pursuant to Rule 204A-1 of the Investment



Advisors Act of 1940, as amended, to prevent violations of federal securities laws. The Code of Ethics is predicated on the principle that MFA owes a fiduciary duty to its clients. Accordingly, MFA expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. All officers and employees of MFA and any other person who provides advice on behalf of MFA and is subject to MFA's control and supervision are required to adhere to the Code of Ethics. At all times, MFA and its employees must (i) place client interests ahead of MFA's; (ii) engage in personal investing that is in full compliance with MFA Code of Ethics; and (iii) avoid taking advantage of their position. Clients may request a copy of MFA's Code of Ethics by contacting Michael Matson at (203) 743-0131 or [michael@matsonfinancialadvisors.com](mailto:michael@matsonfinancialadvisors.com)

#### Participation or Interest in Client Transactions

As outlined in the firm's Code of Ethics, MFA or individuals associated with MFA may, as a broker or agent, effect securities transactions for compensation for any client. In addition, MFA or individuals associated with MFA also may buy or sell securities that it also recommends to clients. As these situations represent a conflict of interest, MFA has established the following policies/restrictions in order to ensure its fiduciary responsibilities:

- a. It is the expressed policy of MFA that no associated person employed by MFA may purchase or sell any covered security prior to a transaction being implemented for an advisory account and therefore preventing such associated person from benefiting from transactions placed on behalf of advisory accounts.
- b. An associated person of MFA shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his/her employment unless the information is also available to the investing public upon reasonable inquiry. No person of MFA shall prefer his/her own interest to that of the advisory client.
- c. MFA maintains a list of all securities holdings updated quarterly for anyone associated with this advisory practice that has access to advisory recommendations.
- d. MFA emphasizes the unrestricted right of the client to decline to implement any advice rendered.
- e. MFA requires that all employees must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- f. Any employee not in observance of the above may be subject to termination.

## **12. Brokerage Practices**

MFA does not have the discretionary authority to determine, without obtaining specific client consent, the (a) securities to be bought or sold; (b) amount of securities to be bought or sold; (c) broker or dealer to be used; or (d) commission rates. MFA will assist clients in opening one or more brokerage accounts with

Cetera Advisor Networks LLC (Cetera) a FINRA registered broker-dealer. When placing portfolio transactions for client accounts, Cetera's primary objective is to obtain the best price and best execution, taking into account costs, promptness of execution and other qualitative considerations.

In reviewing the factors for Best Execution, MFA takes into consideration:

- Execution capability;
- Commission rates;
- Value and ease of use of any technology provided to firm and firm clients;
- Financial Stability of organization
- Ability to hold securities clients desire to transfer into brokerage account.
- Financial responsibility;
- Relationship with Cetera Advisor Networks, LLC.
- List of NTF funds that can be purchased on the platform.
- General responsiveness of the broker-dealer to field inquiries. MFA determines in good faith that the amount of trading costs charged is reasonable in relation to the value of the brokerage and research or investment management-related services provided, the client may pay trading costs in an amount greater than the amount another broker might charge.

### **13. Review of Accounts**

Financial planning, overall wealth management and investment guidance requires a regular review of a client's financial and investment situation. Although the client may engage MFA in the review of their overall financial condition on a more frequent basis, MFA encourages clients to submit to an annual review of the client's financial picture at a minimum. Other factors in a client's financial life that may trigger a review include but are not limited to: change in employment, marital status, inheritance, number of dependents, death of family member, education planning, family care obligations, unexpected expense, significant change in income, employer stock grants/options, or disability.

Reviews are performed by the IAR whose education and business backgrounds are outlined in the ADV Part 2B Brochure Supplement, along with other professional staff including Certified Financial Planners - as appropriate. Number of accounts assigned per professional is less than 200.

Clients will receive statements generated and made available through a mailing or electronic access from the custodian (Pershing, LLC) monthly, but no less than quarterly. Client also receive a confirmation of each transaction executed in accounts advised by IAR directly from the custodian.

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

The IAR and related persons do not compensate others for client referrals and are not compensated for providing referrals. The IAR does not accept prizes or awards for providing advisory services to clients.

**15. Custody**

Client assets in accounts opened and managed by IAR will be maintained with Pershing, LLC (“custodian”). IAR will not have physical custody of any of client’s assets. Client will be solely responsible for paying all fees or charges of the custodian. Client authorizes IAR to give custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for accounts managed by IAR. Client also authorizes IAR to instruct custodian on client’s behalf to (a) send or provide electronic access to client at least quarterly a statement showing all transactions occurring in accounts during the period covered by the account statement, and the funds, securities and other property in such accounts at the end of the period; and (b) provide IAR copies of all periodic statements and other reports for such accounts that custodian sends to client.

As part of our firm invoicing procedures, the custodian is advised of the amount of the planning fee to be deducted from the client account. The custodian does not calculate the amount of the fee to be deducted so it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation. Adviser urges all clients to carefully compare the information provided on statements including transactions, holdings and values.

**16. Investment Discretion**

No Discretionary Authority is granted to IAR. In order to accomplish client’s investment objectives, IAR will buy, sell, or otherwise trade securities or other investments with client’s prior written or oral approval.

**17. Voting Client Securities**

MFA does not vote proxies on behalf of its clients. Therefore, although MFA may provide investment advisory services relative to Client investment assets, MFA’s clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client’s investment assets. MFA and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client’s investment assets. In addition, MFA will not be responsible for handling client claims in class action lawsuits involving securities owned by the client.

**18. Financial Information**

The IAR does not require pre-payment of fees, does not maintain custody of client funds and has not been the subject of a bankruptcy petition.