

## **Item 1 – Cover Page**

### **Firm Brochure** (Part 2A of Form ADV)

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This Brochure provides information about the qualifications and business practices of The Harbor Group, Inc. If you have any questions about the contents of this Brochure, please contact us at: 603-668-0634, or by email at: [info@harborgroup.com](mailto:info@harborgroup.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about The Harbor Group, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to The Harbor Group, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

January 20, 2021

## **Item 2 – Material Changes**

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### **Material Changes**

There have been no material changes to this Brochure since the March 26, 2019 annual update filing.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 603-668-0634 or by email at: [info@harborgroup.com](mailto:info@harborgroup.com).

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### **Any Questions**

The Harbor Group, Inc.'s Chief Compliance Officer, Timothy M. Riley, remains available to address any questions that a client or prospective client has about this Brochure.

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## Item 4 – Advisory Business

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### Firm Description

The Harbor Group, Inc. (“THG”, “we”, “us” or “our”) was founded in 1981.

THG provides personalized financial planning and investment management to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and business entities. Advice is provided through consultation with the client and may include determination of financial objectives, identification of financial challenges, preparation of net worth exhibits, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning recommendations.

Investment advice is an integral part of financial planning. In addition, THG advises clients regarding cash flow, college planning, retirement planning, tax planning, estate planning and any other areas that the client requests us to review, providing we feel ourselves competent to do the work.

Investment advice is provided, with the client making the final decision on initial investment selection. THG does not act as a qualified custodian of client assets. The client always maintains joint asset control. THG places trades for clients under a limited power of attorney. In the case of accounts that do not allow for third party authorization, THG uses access information provided by the client to access the account via the internet to place trades, and to obtain values and transactional data.

Typically a written evaluation of each client's initial situation is provided to the client. Periodic reviews may also be done to provide reminders of the specific courses of action that need to be taken or to track progress toward a goal. For asset management clients, accounts are reviewed on at least a quarterly basis.

Other professionals (e.g., lawyers, accountants, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

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

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### Principal Owners

Marc A. Hebert is a 50% stockholder. Timothy M. Riley is a 50% stockholder.

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## **Types of Advisory Services**

THG provides investment supervisory services, also known as asset management services. We also provide financial planning services. Financial planning services can be included with asset management services or may be completed on a standalone basis and billed separately.

To the extent requested by a client, THG may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. THG does not serve as an attorney or accountant, and no portion of THG's services should be construed as accounting or legal services. . Accordingly, THG does not prepare tax returns, estate planning or related legal documents. To the extent requested by a client, THG may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of THG in their separate individual capacities as licensed insurance agents as discussed below in Item 10 below. The recommendation that a client purchase an insurance product through THG's representative in his/her separate and individual capacity as an insurance agent presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. Clients are under no obligation to engage the services of any recommended professional, who shall be solely responsible for the quality and competency of the services they provide. If the client engages any unaffiliated recommended professional, and a dispute arises related to the engagement, the client should seek recourse exclusively from and against the engaged professional. The client retains discretion over all implementation decisions and is free to accept or reject any recommendation from THG or its representatives in this respect.

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## **Tailored Relationships**

The goals and objectives for each client are documented in their initial financial plan or in meeting notes. Investment policy statements are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

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## **Types of Agreements**

The following services define the typical client relationships as outlined in our client agreement letters:

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## **Financial Planning**

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

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing

asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

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

THG generally charges a negotiable financial planning fee at the inception of the client engagement, which may be waived at its sole discretion. The fee is predicated upon the facts known at the start of the engagement and based on the hourly rate of the planner completing the financial plan or it may be on a flat fee basis. The fee will be agreed upon prior to beginning work on the financial plan. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

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

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary. THG generally provides ongoing financial planning services without additional charge, as part of its investment supervisory services. However upon client agreement, follow-on implementation work may be billed separately at rates ranging from \$125 per hour to \$650 per hour depending on the financial planner completing the work.

For clients who do not wish to complete a full financial plan a scope of work is agreed on which identifies the specific financial planning areas to be reviewed. At that time, an engagement letter is prepared which specifies the maximum number of hours to be billed. The hourly rate ranges from \$125 per hour to \$650 per hour depending on the staff member or financial planner completing the work.

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## **Asset Allocation Portfolio Management**

Most clients choose to have THG manage their assets in order to obtain ongoing in-depth advice and life planning. THG conducts a thorough review of the client's financial affairs, which sometimes includes a review of the client's children or family members. THG assists clients in setting goals and investment objectives. As those goals and investment objectives change over time, THG may suggest and implement changes on an ongoing basis.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. An Advisory Service Agreement may include: cash flow management; insurance review; investment management (including performance reporting); education planning; retirement

planning; estate planning; and tax preparation, as well as the implementation of recommendations within each area. Financial planning work is usually billed separately on an hourly or quoted basis, however, in some instances it may be included as part of the asset management fee.

Under this engagement, THG may provide investment advisory services relative to the client's 401(k) plan assets. In such event, THG will manage the client's account comprised of investment options available through the applicable 401(k) platform. THG's investment management options will be limited to allocation of the assets among the investment alternatives available through the plan. THG will not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to notify THG of any changes in investment alternatives, restrictions, etc. pertaining to the retirement account.

The annual investment advisory fee under this engagement is based on a percentage of the investable assets generally according to the following schedule:

- 1.00% on the first \$1,000,000;
- 0.75% on the next \$1,000,000;
- 0.50% on the next \$2,000,000;
- 0.40% on the next \$2,000,000,
- 0.30% on the next \$2,000,000, and
- 0.20% on assets over \$8,000,000.

THG's investment advisory fee under this engagement is negotiable in certain limited circumstances at THG's sole discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with THG and/or its representatives, and negotiations with the client. Certain legacy clients may have accepted different pre-existing service offerings from THG and may therefore receive services under different fee schedules than as set forth above. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by THG to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above. THG's Chief Compliance Officer, Timothy M. Riley, remains available to address any questions about this arrangement.

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## Miscellaneous Disclosures

Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by THG) will be profitable or equal any specific performance level(s).

Client Obligations. In performing its services, THG shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely on information received from the client. Each client is advised that it remains their responsibility to promptly notify THG if there is ever any change in their financial situation or investment objectives for the purpose of THG amending its previous recommendations or services.

Retirement Plan Rollovers – No Obligation / Conflict of Interest. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If THG recommends that a client roll over their retirement plan assets into an account to be managed by THG, such a recommendation creates a conflict of interest if THG will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over plan assets to an IRA managed by THG or to engage THG to monitor and/or manage the account while maintained at the client's employer. THG's Chief Compliance Officer, Timothy M. Riley remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented.

Availability of Mutual Funds and ETFs. While THG may recommend allocating investment assets to mutual funds and exchange traded funds ("ETFs") that are not available directly to the public, THG may also recommend that clients allocate investment assets to publicly-available mutual funds and ETFs that the client could obtain without engaging THG as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds without engaging THG as an investment adviser, the client or prospective client would not receive the benefit of THG's initial and ongoing investment advisory services with respect to management of that asset. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through registered investment advisers approved by DFA. THG may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of THG's services to a client,



restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply. THG's Chief Compliance Officer, Timothy M. Riley, remains available to address any questions that a client or prospective client may have regarding the above.

Asset Aggregation / Reporting Services. THG may provide access to reporting services through one or more third-party aggregation / reporting platforms that can reflect all of the client's investment assets, including those investment assets that the client has not engaged THG to manage (the "Excluded Assets"). THG's service for the Excluded Assets is strictly limited to reporting, and specifically excludes investment management or implementation. Because THG does not have trading authority for the Excluded Assets, the client (and/or another investment professional), and not THG, shall be exclusively responsible for directly implementing any recommendations for the Excluded Assets. Further, the client and/or their other advisors that maintain trading authority, and not THG, shall be exclusively responsible for the investment performance or related activity (such as timing and trade errors) pertaining to the Excluded Assets. The third-party aggregation / reporting platforms may also provide access to financial planning information and applications, which should not be construed as services, advice, or recommendations provided by THG. Accordingly, THG shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the third party reporting platforms without THG's participation or oversight.

Portfolio Trading Activity. As part of its investment advisory services, THG will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when THG determines that trades within a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 during periods of portfolio trading inactivity.

Cash Positions. THG may maintain cash and cash equivalent positions (such as money market funds) for defensive and liquidity purposes. Unless otherwise agreed in writing, all cash and cash equivalent positions will be included as part of assets under management for purposes of calculating THG's investment management fee.

Independent Managers / Separately Managed Account Platforms. THG may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers / separately managed account platforms (the "Independent Manager(s)") in accordance with the client's designated investment objective(s). Currently,

THG allocates or recommends such allocations to certain Independent Manager(s) to access municipal bond management. In such situations, the Independent Manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. THG will continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. THG generally considers the following factors when considering its recommendation to allocate investment assets to Independent Manager(s): the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by the Independent Manager(s) is separate from, and in addition to, THG's investment advisory fee as set forth above, which is disclosed to the client before the allocation of investment assets to the Independent Manager(s).

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## **Asset Management**

Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm may charge fees for stock and bond trades. THG does not receive any compensation from fund companies.

Investments may also include: equities (stocks), corporate debt securities, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), and U.S. government securities. In certain limited circumstances, THG may also recommend that clients allocate investment assets to Real Estate Investment Trusts ("REITs"). Please refer to Item 8 below for a description of risks associated with these investments.

Initial public offerings (IPOs) are not available through THG.

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## **Termination of Agreement**

A Client may terminate any of the agreements at any time by providing THG thirty days' notice in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination or the end of the thirty day notice period for asset management services. THG does not accept advance payments so no refunds of unearned fees will be necessary. For investment advisory clients, fees will be billed on a pro rata basis for the portion of the quarter completed.

THG may terminate any of the aforementioned agreements at any time by notifying the client in writing.

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**Wrap Fee Programs**

THG does not participate in a wrap program.

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**Regulatory Assets Under Management**

As of December 31, 2019, THG managed: \$1,147,849,478 of client assets on a discretionary basis, and \$37,173,913 on a non-discretionary basis, for a combined \$1,185,023,391 in assets under management.

## **Item 5 – Fees and Compensation**

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**Description**

THG bases its fees on a percentage of assets under management, hourly charges, and fixed fees (not including subscription fees). Please refer to Item 4 above for a complete description of the fees THG charges for its particular service offerings.

Some Agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are negotiable. THG, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.)

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**Fee Billing**

Investment management fees are billed quarterly. The fee schedule is based upon the average daily balance during the billing. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed upon delivery of the financial plan.

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**Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds. In addition, the custodian may charge commissions for the sale of securities transferred into the investment account or for the purchase of other securities. These transaction fees and commissions are not under the control of THG. They are paid to the custodian based on the account agreement between the customer and the custodian. THG does not receive any portion of

these transaction fees or commissions. Please refer to the Brokerage Practices section of this document for additional information.

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### **Expense Ratios**

Mutual funds and ETFs generally impose a management fee for the fund's manager's services. The management fee plus other fund expenses is sometimes called an expense ratio. For example, an expense ratio of 0.50 means the mutual fund company charges 0.5% for their services and fund expenses. These fees are in addition to the fees paid by you to THG.

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### **Past Due Accounts and Termination of Agreement**

THG reserves the right to stop work on any account that is more than 30 days overdue. In addition, THG reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in THG's judgment, to providing proper financial advice. As stated in our client agreements, THG reserves the right to charge interest at the rate of 1.5% per month on balances outstanding for more than 60 days.

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

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### **Sharing of Capital Gains**

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

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

## **Item 7 – Types of Clients**

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### **Description**

THG generally provides investment advisory services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and business entities. The majority of clients are individuals and high net worth individuals.

Client relationships vary in scope and length of service.

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### **Account Minimums**

THG does not impose any mandatory requirements for opening or maintaining investment advisory accounts.

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

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### **Methods of Analysis**

THG is not generally involved in the selection, recommendation or analysis of individual equity securities. THG typically utilizes mutual funds and ETFs when recommending investments to clients.

The main sources of information include financial newspapers and magazines, research materials prepared by others, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that THG may use include Morningstar Advisor mutual fund information, Morningstar Advisor stock information, Charles Schwab & Company's Institutional web site, Fidelity Investments web site for registered investment advisors, and other resources available via the Internet.

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### **Investment Strategies**

The primary investment strategy used on client accounts is strategic asset allocation using mutual funds. Portfolios are globally diversified to control the risk associated with traditional markets. THG's approach emphasizes prudent diversification of assets and long term investment planning consistent with the client's objectives.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

For some clients, other strategies may be utilized. If a client wants to include an individual equity in the portfolio, THG will hold the security and report on performance. However, we explicitly state in our Investment Policy Statement the conditions for including the security, which include that the client must be the individual to specify the time to purchase or sell the asset. THG may also include individual fixed income securities such as Certificates of Deposit, investment grade bonds, government and agency bonds, and exchange traded funds as part of a portfolio. THG may also recommend the use of fixed or variable annuities when appropriate for the client.

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### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal investment. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by THG) will be profitable or equal any specific performance level(s). Investment strategies such as asset

allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

All investment programs have risks for the investor. Our investment approach keeps the risk of loss in mind. The following provides a short description of some of the risks associated with the types of investments that THG uses or recommends:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may need to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial

stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

- **Mutual Fund Risk.** Mutual funds are operated by investment companies that raise money from shareholders and invests it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).
- **Exchange Traded Fund Risk.** ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.
- **REIT Risk:** REITs are subject to risks generally associated with investing in real estate, such as: possible declines in the value of real estate; adverse general and local economic conditions; possible lack of availability of mortgage funds; changes in interest rates; and environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility.

## Item 9 – Disciplinary Information

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### Legal and Disciplinary

The firm and its employees are not involved in legal or disciplinary events related to past or present investment clients.

## Item 10 – Other Financial Industry Activities and Affiliations

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### Affiliations

THG has an affiliate (Harbor Risk Management, Inc.) which is in the business of selling insurance products on a commission basis. Associates and principals of THG may be licensed to broker insurance products for a number of different companies. Those associates, principals, or Harbor Risk Management, Inc. are paid commissions when insurance products are sold to the client. All other investments are recommended and managed strictly on a fee for service basis. Clients are under no obligation to purchase products from Harbor Risk Management, Inc.

For some high net worth clients, THG may recommend other investment advisors, usually separate account managers. The selection of these managers will be discussed with the client and agreed to in advance. If separate account managers are chosen, the fees charged by that manager are disclosed in the account opening documents which are delivered to the client by that manager. If a separate account manager is chosen, the client is paying two fees, similar to the fee structure of mutual funds, one to THG and one to the separate account manager. Clients that use separate account managers who purchase individual securities may also be charged brokerage fees exceeding the transaction charge for mutual fund purchases. No Client is under any obligation to utilize a separate account manager.

Conflict of Interest: The recommendation by THG representatives that a client purchase an insurance commission product from a firm representative presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase insurance commission products through THG's affiliate or its representatives. Clients are reminded that they may purchase insurance products recommended by THG through other, non-affiliated insurance agents and/or agencies.

Neither THG, nor its representatives: are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer; are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing. THG does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.



THG's Chief Compliance Officer, Timothy M. Riley, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

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

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### **Code of Ethics**

The employees of THG have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

The Code of Ethics and Insider Trading policy require employees to avoid any potential conflicts of interest involving personal trades. Among other things, the policy requires that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, and colleagues in the investment profession.
- Place the integrity of the investment profession, the interests of clients, and the interests of THG above their own personal interests.
- Adhere to the fundamental standard that they should not take inappropriate advantage of their position.
- Avoid any actual or potential conflict of interest.
- Conduct all personal securities transactions in a manner consistent with the policy
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities
- Practice in a professional and ethical manner that will reflect credit on themselves and the profession
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve professional competence and strive to maintain and improve the competence of other investment professionals
- Comply with applicable provisions of the federal securities laws.

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

THG and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades.

Employees are expected to comply with the provisions of THG's Compliance Manual.

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**Personal Trading**

The Chief Compliance Officer of THG is Timothy Riley. He or his designee reviews all employee trades each quarter. His trades are reviewed by Marc Hebert. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund or exchange-traded fund trades, the trades do not affect the securities markets. Employees are required to pre-clear certain personal securities transactions to avoid any potential conflict of interest or appearance of a conflict of interest with client trades.

## **Item 12 – Brokerage Practices**

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**Selecting Brokerage Firms**

In the event that the client requests that THG recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct THG to use a specific broker-dealer/custodian), THG generally recommends that investment management accounts be maintained at Charles Schwab & Company ("Schwab") or Fidelity Investments ("Fidelity"), both of which are SEC-registered and FINRA member broker-dealers/custodians. Before engaging THG to provide investment management services, the client will be required to enter into a formal agreement with THG setting forth the terms and conditions under which THG shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that THG considers in recommending Schwab, Fidelity, or any other broker-dealer/custodian to clients include historical relationship with THG, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by THG's clients shall comply with THG's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where THG determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although THG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, THG's investment management fee.

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## **Non-Soft Dollar Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, THG receives from Schwab and/or Fidelity (or could receive from other broker-dealer/custodians, unaffiliated investment managers, vendors, investment platforms, and/or product/fund sponsors) without cost (and/or at a discount) support services and/or products, certain of which assist THG to better monitor and service client accounts maintained at such institutions. The support services that THG receives can include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted and/or free travel and attendance at conferences, meetings, and other educational and/or social events (which can also include transportation and lodging), marketing support, computer hardware and/or software and/or other products used by THG in furtherance of its investment advisory business operations. As referenced above, certain of the support services and/or products that THG can receive may assist THG in managing and administering client accounts. Others do not directly provide such assistance, but rather assist THG to manage and further develop its business enterprise. The receipt of these support services and products presents a conflict of interest, because THG has the incentive to recommend that clients utilize Schwab and/or Fidelity as a broker-dealer/custodian based upon its interest in continuing to receive the above-described support services and products, rather than based on a client's particular need. However, THG's clients do not pay more for investment transactions effected and/or assets maintained at Schwab and/or Fidelity as a result of these arrangements. There is no corresponding commitment made by THG to Schwab and/or Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. THG's Chief Compliance Officer, Timothy M. Riley, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the conflicts of interest presented.

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## **Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit. Based on this, THG does not aggregate client trades.

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## **Referrals from Broker-Dealers**

THG does not currently receive referrals from broker-dealers. However, THG previously received client referrals from Schwab through participation in the Schwab Advisor Network™. Please refer to Item 14 below for more information.

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## **Directed Brokerage**

THG does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and THG will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by THG. As a result, clients may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

If the client directs THG to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through THG. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts. THG's Chief Compliance Officer, Timothy M. Riley, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

## **Item 13 – Review of Accounts**

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### **Periodic Reviews**

Account reviews are generally performed quarterly by advisors, or more frequently when market conditions dictate. The firm's Investment Committee also meets weekly to review investment options, allocation, construction, and related factors. The Investment Committee is instructed to consider the clients' current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the clients, on the whole.

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### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### **Regular Reports**

Investment Management clients receive written reports on at least a quarterly basis. Clients may also receive written updates when requested which may include updated net worth statements, tax recommendations, education exhibits, retirement planning updates, or other topics based on the clients request and situation.

## Item 14 – Client Referrals and Other Compensation

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### Incoming Referrals

THG has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

THG previously received client referrals from Schwab through participation in the Schwab Advisor Network™ (“the Service”), designed to help investors find an independent investment advisor. THG does not currently participate in the Service with respect to newly referred clients. Schwab is a broker-dealer independent of and unaffiliated with THG. Schwab does not supervise THG and has no responsibility for THG’s management of clients’ portfolios or THG’s other advice or services. THG continues to pay Schwab fees for previous client referrals, but THG no longer receives referrals under this arrangement.

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### Referrals Out

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

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### Other Economic Benefits

As referenced in Item 12 above, THG receives economic benefits from Schwab and/or Fidelity (or could receive similar benefits from other broker-dealer/custodians, unaffiliated investment managers, investment platforms, and/or mutual fund sponsors), such as support services and/or products without cost or at a discount. THG’s clients do not pay more for investment transactions effected and/or assets maintained at a broker-dealer/custodian or other entity as a result of these arrangements. There is no corresponding commitment made by THG to a broker-dealer/custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

## Item 15 – Custody

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### Account Statements

All assets are held at a qualified custodian, which means the custodian provides account statements directly to clients at their address of record at least quarterly.

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### Performance Reports

Clients are urged to compare the account statements received directly from the custodian to the performance report statements provided by THG. THG’s

reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The account custodian does not verify the accuracy of THG's investment advisory fees.

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**Other arrangements**

THG engages in other practices that require disclosure at the Custody section of Part 1 of Form ADV, which are subject to an annual surprise CPA examination in accordance with Rule 206(4)-2 of the Investment Advisers Act of 1940.

In addition, certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from THG to transfer client funds or securities to parties that may be considered "third parties." These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, in accordance with the guidance provided in the SEC's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination.

THG's Chief Compliance Officer, Timothy M. Riley, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

## **Item 16 – Investment Discretion**

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**Discretionary Authority for Trading**

THG accepts discretionary authority to manage securities accounts on behalf of clients. In those engagements, THG has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. THG trades in accordance with the clients' individual investment policy statements. For discretionary management services, the client must provide THG with a limited power of attorney acceptable to the custodian of the client's assets. If the assets are held with a custodian other than Schwab and/or Fidelity, THG will utilize internet access credentials provided to us by the client to carry out any necessary trades.

The client approves the custodian to be used and the commission rates or transaction fees paid to the custodian. THG does not receive any portion of any transaction fees or commissions paid by the client.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy you have approved in writing. A client may choose to withhold discretionary authority and specify in their investment policy statement that they are to be consulted before any trades may be placed in the account. In this situation, a client may be holding an asset after discretionary clients have sold or purchasing an asset after it was purchased for discretionary clients.

Non-Discretionary Service Limitations. Clients that determine to engage THG on a non-discretionary basis must be willing to accept that THG cannot execute any account transactions without obtaining the client's prior consent to the transactions. Therefore, if THG would like to make a transaction for a client's account (including removing a security that THG no longer believes is appropriate, adding a security that THG believes is appropriate, or in the event of a market correction), and the client is unavailable, THG will be unable to execute the account transactions (as it would for its discretionary clients) without first obtaining the client's consent. This may place affected clients at an economic disadvantage.

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### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved or have authorized by granting THG discretionary trading authority.

## **Item 17 – Voting Client Securities**

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### **Proxy Votes**

THG does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, THG will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

## **Item 18 – Financial Information**

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### **Financial Condition**

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

A balance sheet is not required to be provided because THG does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

**ANY QUESTIONS: THG's Chief Compliance Officer, Timothy M. Riley, remains available to address any questions regarding this Brochure.**

# Business Continuity Plan

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## General

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

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## Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan also covers man-made disasters. Electronic files are backed up daily and archived offsite.

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## Alternate Offices

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

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## Loss of Key Personnel

THG has sufficient personnel to support the firm in the event of an advisor or owner's serious disability or death. In addition to the business owners, there are currently four Certified Financial Planners® on staff and an additional individual working toward his certification.



# Information Security Program

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## Information Security

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

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## Privacy Notice

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

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

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

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

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

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

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