



# Lighthouse Financial Services, Inc.

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## **Form ADV Part 2A – Firm Brochure**

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Dated January 20, 2021

This brochure provides information about the qualifications and business practices of Lighthouse Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at 714-572-8900. 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 Lighthouse Financial Services, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Lighthouse Financial Services, Inc. is 110367.

Lighthouse Financial Services, Inc. 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: Material Changes

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Since the last annual filing dated February 4, 2020, the following material changes have occurred:

- George McDaniel has retired.
- Lighthouse Financial Services, Inc.'s ownership has changed and the Chief Compliance Officer is now Michael Verity (Item 4).
- Lighthouse Financial Services, Inc. has updated outside compensation (Item 14).

# Item 3: Table of Contents

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# Item 4: Advisory Business

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## Description of Advisory Firm

Lighthouse Financial Services, Inc.'s registration was granted by the United States Securities and Exchange Commission on September 2, 1998. Robert George McDaniel (CRD Number 3028236), President and Chief Operating Officer and Michael Robert Verity (CRD Number 5848445), Vice President and Chief Compliance Officer, are the owners of the firm. The firm is not publicly owned or traded. There are no indirect owners of the firm.

## Types of Advisory Services

### Investment Supervisory Services

Lighthouse Financial Services, Inc. offers ongoing investment supervisory services based on the individual goals, objectives, time horizon, and risk tolerance of each client.

Lighthouse Financial Services, Inc. creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Investment supervisory services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

Lighthouse Financial Services, Inc. evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Lighthouse Financial Services, Inc. seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of Lighthouse Financial Services, Inc.'s economic, investment or other financial interests. To meet its fiduciary obligations, Lighthouse Financial Services, Inc. attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and, accordingly, Lighthouse Financial Services, Inc.'s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is Lighthouse Financial Services, Inc.'s policy to allocate investment

opportunities and transactions it identifies as being appropriate and prudent, including initial public offerings (“IPOs”) and other investment opportunities that might have a limited supply, among its clients on a fair and equitable basis over time.

## **Financial Planning**

Financial plans and financial planning may include, but are not limited to: investment planning; life insurance; tax concerns; retirement planning; education planning; and debt/credit planning.

## **Pension Consulting Services**

Lighthouse Financial Services, Inc. offers consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans). Pension consulting may include, but is not limited to:

- identifying investment objectives and restrictions
- providing guidance on various assets classes and investment options
- recommending money managers to manage plan assets in ways designed to achieve objectives
- monitoring performance of money managers and investment options and making recommendations for changes
- recommending other service providers, such as custodians, administrators and broker-dealers
- creating a written pension consulting plan

These services are based on the goals, objectives, demographics, time horizon, and/or risk tolerance of the plan and its participants.

## **Tax Service**

Lighthouse Financial Services, Inc. as a separate service does tax preparation and filing for both Federal and State returns. This is unrelated to any investment advisory service.

## **Client Tailored Services and Client Imposed Restrictions**

Lighthouse Financial Services, Inc. will tailor a program for each individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by Lighthouse Financial Services, Inc. on behalf of the client. Lighthouse Financial Services, Inc. may use model allocations, together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Lighthouse Financial Services, Inc. from properly servicing the client account, or if the restrictions would require Lighthouse Financial Services, Inc. to deviate from its standard suite of services, Lighthouse Financial Services, Inc. reserves the right to end the relationship.

### **Wrap Fee Programs**

A wrap fee program is an investment program wherein the investor pays one stated fee that includes management fees, transactions costs, and certain other administrative fees. We do not participate in wrap fee programs.

### **Assets Under Management**

As of December 31, 2020, the firm managed assets on a discretionary basis in the amount of \$347,160,859.00, representing 1003 accounts and \$0 on a non-discretionary basis.

## **Item 5: Fees and Compensation**

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Lighthouse Financial Services, Inc. shall engage in both fee-only financial planning activities and investment supervisory services in the nature of both discretionary and non-discretionary asset management services. Approximately ninety-seven (97%) percent of Lighthouse Financial Services, Inc.'s advisory fees shall be attributable to the asset management / investment supervisory activity. Approximately one (1%) percent of Lighthouse Financial Services, Inc.'s advisory billings shall be attributable to the fee-only financial planning activity within the context of providing advice about securities related matters. All new client or prospective clients are entitled to 60 free minutes of consultation for financial planning and asset management. Approximately two(2%) percent of Lighthouse Financial Services, Inc.'s total advisory billings shall be attributable to the provision of advice not involving securities within the context of providing fee-only financial planning services. With respect to the asset management activity, Lighthouse Financial Services, Inc. shall not have any custody of client assets, other than for direct debiting of advisory fees if authorized by Client or as discussed in Item 15 of this Brochure, but rather shall use an outside custodian such as TD Ameritrade

Clearing, Inc., a subsidiary of TD Ameritrade, Inc., or US Bank. Modification of fees can be facilitated with the approval of the firm's Chief Compliance Officer (CCO).

The fee for the asset management activity for the dividend growth, growth, asset allocation, growth & income, balanced, equity income, equity growth & income, and flexible income portfolio follows:

<b>Assets Under Management</b>	<b>Annual Fee</b>
<b>First \$300,000</b>	1.20%
<b>Next \$300,000</b>	1.00%
<b>Next \$400,000</b>	0.90%
<b>Next \$2,000,000</b>	0.80%
<b>Next \$3,000,000</b>	0.70%
<b>Over \$6,000,000</b>	0.60%

The fee for the asset management activity for the capital preservation portfolio follows:

<b>Account Value</b>	<b>Annual Advisory Fee</b>
<b>First \$1,000,000</b>	0.60%
<b>Next \$4,000,000</b>	0.50%
<b>\$5,000,000 Plus</b>	0.40%

Clients may elect to have their management fee billed directly or have the fees deducted from their accounts. Investments are billed on a quarterly and intra-quarterly basis and financial planning services are billed on a contractual basis.

Because mutual funds could pay advisory fees to their investment advisers and such fees are therefore indirectly charged to all holders of mutual fund shares, Clients with mutual funds in their portfolio could effectively be paying both the Lighthouse Financial Services, Inc. and the mutual fund adviser for the management of their assets. Clients who place mutual fund shares under the Lighthouse Financial Services, Inc.'s management are therefore subject to both the Lighthouse Financial Services, Inc.'s direct management fees and the indirect management fee of the mutual fund adviser. Clients could incur a trading fee charged by the custodian. These fees are deducted by the custodian and Lighthouse Financial Services, Inc. does not participate in any fee sharing arrangement.

Some mutual funds and exchange traded funds do not have transaction fees. The Client will bear the cost of all securities transactions, including mutual funds, purchased for the Client as well as taxes, interest (if any), brokerage fees, commissions, custodian charges (if any) and transfer fees (if any).

For additional information, see Item 12 of this Brochure.

The asset management fee will be payable quarterly in advance. Some grandfathered clients are billed quarterly in arrears and have different fee schedules. At the end of each 3-month period (a "quarter"), the value of a Client's account shall be determined by adding the value of the securities, cash equivalents and any cash balance in the account as of the end of the previous quarter. If the account has a negative cash balance, the fee will be charged on the total assets under management, which will not include any cash debit (borrowing). Fees for funds added or removed to/from client account(s) are prorated to the end of the current quarter. Fees are subject to change upon ninety day (90) notice to Client.

Lighthouse Financial Services, Inc. shall refund all unearned or unapplied fees in excess of minimum quarterly fees to client when client provides Lighthouse Financial Services, Inc. with a thirty day (30) written notice for termination. The refund is determined by calculating the remaining days in the quarter and then prorating the amount of the refund. No fee is ever based on capital gains or capital appreciation of assets. No fee is ever payable more than six (6) months in advance. Lighthouse Financial Service, Inc. does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

See Item 7 of this Brochure for more information regarding fees.

Lighthouse Financial Services, Inc.'s financial planning clients have the option to purchase investment products the firm has recommended through other agents or brokers not affiliated with Lighthouse Financial Services, Inc.

Clients participating in our Wealth Builder Program (Management Only) shall pay .80% per annum on a quarterly basis in advance. The fee is calculated based on the assets under management. At the end of each 3-month period (a "quarter"), the value of a Client's account shall be determined by adding the value of the securities, cash equivalents and any cash balance in the account as of the end of the previous quarter. If the account has a negative cash balance, the fee will be charged on the total assets under management, which will not include any cash debit (borrowing). Fees for funds added or removed to/from client account(s) are prorated to the end of the current quarter. Accounts billed under this fee schedule do not qualify for any wealth management services, advisory services or LFS discounts. Client may pay a separate fee for these services. Fees are subject to change upon ninety day (90) notice to



Client. An account minimum of \$5,000 is required. Exceptions are at the discretion of Lighthouse Financial Services. Specific fees and terms related to this service may be found in Client's agreement.

For Clients participating in our Non-Discretionary Cash Accounts, the quarterly maintenance fee per account is based on the flat quarterly fee schedule below.

Account Value	Annual Advisory Fee
\$0 - \$5MM	\$37.50
\$5MM+	\$75.00

The maintenance fee is a flat rate charged at the beginning of each quarter. If you have \$5,000,000 or less in a separate non-discretionary cash account your maintenance fee will be \$37.50/qtr., if you have \$5,000,001 or greater your maintenance fee will be \$75.00/qtr. Maintenance fees for Non-discretionary cash accounts are NOT refundable. Fees are subject to change upon ninety day (90) notice to Client. Specific fees and terms related to this service may be found in Client's agreement.

### **Comprehensive Financial Planning & Tax Planning Fees**

- \$300 per hour for only Financial Planning/Pension Consulting
- \$250 per hour for clients with assets under management

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

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We do not offer performance-based fees.

## Item 7: Types of Clients

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Lighthouse Financial Services, Inc.'s client base is comprised of individual, trust, and pension accounts.

We also serve the investment and planning needs of the small and mid-size corporation. There is a minimum fee charged of \$900 per quarter for all new clients in the equity strategy, and \$750.00 for fixed income strategy clients. For all grandfathered clients there is a minimum \$300.00 fee per quarter. The minimum portfolio size is \$300,000. This can be negotiated with

the approval of a Principal at the firm. The minimum account size for TD Ameritrade AdvisorDirect Program is \$750,000.

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

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Lighthouse Financial Services, Inc. applies a longer-term investment approach to most of its management decisions and its investment strategies. Our investment process starts with a “Top Down” analysis of the markets and the economy. Through our “Top Down” process, we identify where we are, or will be, in the economic and investment business cycles. Asset allocation decisions are determined by the investment objective that clients have selected and their unique investment needs. Lighthouse Financial Services, Inc. seeks investments that we believe will deliver an appropriate amount of appreciation and risk over the next 12 or more months as it applies to the unique investment needs and the investment strategy that clients have selected. The investment allocation process includes both a macro and some micro components. On a macro level, we choose and assign percentages between asset classes (stocks, bonds, and cash). On a micro level, we select individual securities from the “Bottom Up,” using a combination of fundamental, technical, and quantitative research. Whenever possible, portfolio volatility and risk are managed through sensible diversification among sectors and across asset classes. Lighthouse Financial Services, Inc. routinely monitors the universe of investment securities. When alternative or superior investment securities become available, previous portfolio holdings may be replaced. As with any investment program, there will be risk. The client’s portfolio’s risk, return, and liquidity exposure are, in large part, a function of the asset classes that are to be included in the portfolio (Equity, Fixed Income, Cash and/or Cash Equivalent investments). Research shows that up to 94% of the portfolio’s rate of return is due to asset allocation decision. Accordingly, a client’s investment strategy may consider all three-asset classes when developing their investment allocation. The actual allocation to each asset class will be determined by the investment objective strategy that a client elects. The goal is to earn the highest possible rate of return commensurate with a client’s risk tolerance, investment objective, portfolio constraints, and the current economic and market conditions.

The actual rate of return will vary widely with market conditions, and the target return is in no way guaranteed. Investments may be subject to market volatility due to its historically higher exposure to growth-oriented investments.

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Bond Subadvisers** Although Lighthouse Financial Services, Inc. will seek to select only money managers who will invest clients' assets with the highest level of integrity, Lighthouse Financial Services, Inc.'s selection process cannot ensure that money managers will perform as desired and Lighthouse Financial Services, Inc. will have no control over the day-to-day operations of any of its selected money managers. Lighthouse Financial Services, Inc. would not necessarily be aware of certain activities at the underlying money manager level, including without limitation a money manager's engaging in unreported risks, investment "style drift" or even regulator breach or fraud.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

**Fixed Income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This includes corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general the fixed income market is volatile, and fixed income securities carry significant interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting, but these bonds still carry a risk of losing share price value. Risks of investing in foreign fixed income securities also include the general risks inherent in non-U.S. investing.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond (fixed income) nature or stock (equity) nature, or a mix of multiple underlying security types.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Because ETFs use "authorized participants" (APs) as agents to facilitate creations or redemptions (primary market), there is a risk that an AP decides to no longer participate for a particular ETF; however, that risk is mitigated by the fact that other APs can step in to fill the vacancy of the withdrawing AP [an ETF typically has multiple APs] and ETF transactions predominantly take place in the secondary market without need for an AP. Like other liquid securities, ETF pricing changes throughout the trading day and there can be no guarantee that an ETF is purchased at the optimal time in terms of market movements. Moreover, due to market fluctuations, ETF brokerage costs, differing demand and characteristics of underlying securities, and other factors, the price of an ETF can be lower than the aggregate market price of its cash and component individual securities (net asset value – NAV). An ETF is subject to the same market risks as those of its underlying individual securities, and also has internal expenses that can lower investment returns.

**Index Funds** employ a strategy that aims to replicate the movements of an index of a specific financial market (which may include debt securities), or a set of rules of ownership that are held constant, regardless of market conditions. Products that utilize an index tracking strategy may suffer a risk of loss, including as a result of tracking error. Imperfect correlation between a portfolio of securities and those in the underlying index, rounding of prices, changes to the underlying index and regulatory requirements may cause tracking error, which is the divergence of the portfolio's performance from that of the underlying index. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also may result because a portfolio incurs fees and expenses while the underlying index does not.

## Item 9: Disciplinary Information

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None.

## Item 10: Other Financial Industry Activities and Affiliations

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Neither Lighthouse Financial Services, Inc. nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

Neither Lighthouse Financial Services, Inc. nor its representatives are registered as or have pending applications to become either a Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

Neither Lighthouse Financial Services, Inc. nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

Lighthouse Financial Services, Inc. may direct clients to third-party bond subadvisers. Clients will pay Lighthouse Financial Services, Inc. its standard fee in addition to the standard fee for the advisers to which it directs those clients. The fees will not exceed any limit imposed by any regulatory agency. Lighthouse Financial Services, Inc. will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients. Lighthouse Financial Services, Inc. will ensure that all recommended advisers are exempt, licensed or notice filed in the states in which Lighthouse Financial Services, Inc. is recommending them to clients.

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

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The firm has adopted a written Code of Ethics pursuant to SEC Rule 204A-1. Such Code of Ethics requires associated persons and principals of the firm to observe certain federal securities laws and regulations, including matters involving personal securities holdings. Associates of the firm must report personal securities holdings to the Chief Compliance Officer of the firm. Our Code of Ethics is available to clients and prospective clients upon request.

Lighthouse Financial Services, Inc. or individuals associated with Lighthouse Financial Services, Inc. may buy or sell securities identical to those recommended to customers for their personal account.

It is the expressed policy of Lighthouse Financial Services, Inc. that no person employed by Lighthouse Financial Services, Inc. may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

Lighthouse Financial Services, Inc. or any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

As these situations may represent a conflict of interest, Lighthouse Financial Services, Inc. has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) A director, officer, or employee of Lighthouse Financial Services, Inc. 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 or her employment, unless the information is also available to the investing public on reasonable inquiry. No person of Lighthouse Financial Services, Inc. shall prefer his or her own interest to that of the advisory client.
- 2) Lighthouse Financial Services, Inc. maintains a list of all securities holdings for itself and anyone associated with this advisory practice. The Chief Compliance Officer reviews these holdings on a regular basis.
- 3) Lighthouse Financial Services, Inc. requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- 4) Any individual not in observance of the above may be subject to termination.

## Item 12: Brokerage Practices

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Lighthouse Financial Services, Inc. recommends TD Ameritrade to clients because of the competitive transaction fees, account statement clarity, electronic access to client accounts, availability of research, and overall high service levels.

Lighthouse Financial Services, Inc. participates 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. Advisor receives some benefits from TD Ameritrade through its participation in the Program. Please see the disclosure under Item 14 below for additional information.

As disclosed above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its 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 Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client 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 Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts.

These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Lighthouse Financial services may also recommend Charles Schwab & Co., Inc. Advisor Services.

Charles Schwab & Co., Inc. Advisor Services provides Lighthouse Financial Services, Inc. with access to Charles Schwab & Co., Inc. Advisor Services' institutional trading and custody services, which are typically not available to Charles Schwab & Co., Inc. Advisor Services retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a minimum amount of the adviser's clients' assets are maintained in accounts at Charles Schwab & Co., Inc. Advisor Services. Charles Schwab & Co., Inc. Advisor Services includes brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to

institutional investors or would require a significantly higher minimum initial investment. For Lighthouse Financial Services, Inc. client accounts maintained in its custody, Charles Schwab & Co., Inc. Advisor Services generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Charles Schwab & Co., Inc. Advisor Services or that settle into Charles Schwab & Co., Inc. Advisor Services accounts.

Charles Schwab & Co., Inc. Advisor Services also makes available to Lighthouse Financial Services, Inc. other products and services that benefit Lighthouse Financial Services, Inc. but may not benefit its clients' accounts. These benefits may include national, regional or Lighthouse Financial Services, Inc. specific educational events organized and/or sponsored by Charles Schwab & Co., Inc. Advisor Services. Other potential benefits may include occasional business entertainment of personnel of Lighthouse Financial Services, Inc. by Charles Schwab & Co., Inc. Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Lighthouse Financial Services, Inc. in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of Lighthouse Financial Services, Inc.'s fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of Lighthouse Financial Services, Inc.'s accounts. Charles Schwab & Co., Inc. Advisor Services also makes available to Lighthouse Financial Services, Inc. other services intended to help Lighthouse Financial Services, Inc. manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance and marketing. In addition, Charles Schwab & Co., Inc. Advisor Services may make available, arrange and/or pay vendors for these types of services rendered to Lighthouse Financial Services, Inc. by independent third parties. Charles Schwab & Co., Inc. Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Lighthouse Financial Services, Inc.. Lighthouse Financial Services, Inc. is independently owned and operated and not affiliated with Charles Schwab & Co., Inc. Advisor Services.



Generally, 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 particular circumstances 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.

## Item 13: Review of Accounts

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Lighthouse Financial Services, Inc. schedules periodic reviews with both our investment and planning clients at least annually.

The investment reviews cover the client’s specific portfolio and an overview of the current markets. These reviews are conducted by a member of the firm who are all investment advisors. The planning reviews are conducted by a Certified Financial Planner (CFP®).

All clients receive a monthly (and/or quarterly) account statement from TD Ameritrade. This statement(s) can be either paper or electronic. Lighthouse Financial Services, Inc. provides a daily consolidated family account profile via the client portal.

## Item 14: Client Referrals and Other Compensation

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Advisor may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor’s management of client portfolios or

Advisor's other advice or services. Advisor pays TD Ameritrade an on-going fee for each successful client referral. For referrals that occurred through AdvisorDirect before April 10, 2017, this fee is a percentage (not to exceed 25%) of the advisory fee that the client pays to Advisor ("Solicitation Fee"). For referrals that occurred through AdvisorDirect on or after June 9, 2017, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 25% of 1%, unless such client assets are subject to a Special Service Addendum. In the case a Special Service Addendum, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 10% of 1%. Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Advisor from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Advisor will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Advisor's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Advisor has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

The Advisor engages independent solicitors to provide client referrals. If a client is referred to us by a solicitor, this practice is disclosed to the client in writing by the solicitor and the Advisor pays the solicitor out of its own funds—specifically, the Advisor generally pays the solicitor a portion of the advisory fees earned for managing the capital of the client or investor that was referred. The use of solicitors is strictly regulated under applicable federal and state law. The Advisor's policy is to fully comply with the requirements of Rule 206(4)-3, under the Investment Advisers Act of 1940, as amended, and similar state rules, as applicable.

The Advisor may receive client referrals from Zoe Financial, Inc through its participation in Zoe Advisor Network (ZAN). Zoe Financial, Inc is independent of and unaffiliated with the Advisor and there is no employee relationship between them. Zoe Financial established the Zoe Advisor Network as a means of referring individuals and other investors seeking fiduciary personal investment management services or financial planning services to independent investment advisors. Zoe Financial does not supervise the Advisor and has no responsibility for the Advisor's management of client portfolios or the Advisor's other advice or services. The Advisor pays Zoe Financial an on-going fee for each successful client referral. This fee is usually a percentage of the advisory fee that the client pays to the Advisor ("Solicitation Fee"). The Advisor will not charge clients referred through Zoe Advisor Network any fees or costs higher than its standard fee schedule offered to its clients. For information regarding additional or other fees paid directly or indirectly to Zoe Financial Inc, please refer to the Zoe Financial Disclosure and Acknowledgement Form.

## Item 15: Custody

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We previously disclosed in Item 5 of this Brochure that our firm directly debits advisory fees from Client accounts. As part of the billing process, the Client's custodian is advised of the amount of the fee to be deducted from that Client's account. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Because the custodian does not calculate the amount of the fee to be deducted, it is important for Clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that Clients receive directly from their custodians, we may also send account statements directly to our Clients on a periodic basis. We urge our Clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

**Standing Letters of Authorization:** Lighthouse Financial Services, Inc. does maintain a standing letter of authorization (SLOA) where the funds or securities are being sent to a third party, and the following conditions are met:

- a. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.

- b. The client authorizes Lighthouse Financial Services, Inc., in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- c. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- d. The client has the ability to terminate or change the instruction to the client's qualified custodian.
- e. Lighthouse Financial Services, Inc. has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- f. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.
- g. Lighthouse Financial Services, Inc. maintains records showing that the third party is not a related party of Lighthouse Financial Services, Inc. or located at the same address as Lighthouse Financial Services, Inc.

## Item 16: Investment Discretion

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Lighthouse Financial Services, Inc. provides discretionary and non-discretionary investment advisory services to clients. The Investment Advisory Contract established with each client outlines the discretionary authority for trading. Where investment discretion has been granted, Lighthouse Financial Services, Inc. generally manages the client's account and makes investment decisions without consultation with the client as to what securities to buy or sell, when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, or the price per share. In some instances, Lighthouse Financial Services, Inc.'s discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to Lighthouse Financial Services, Inc.).

## Item 17: Voting Client Securities

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The firm does not vote proxy statements on behalf of advisory clients. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

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 you any electronic solicitation to vote proxies.

## Item 18: Financial Information

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No financial reporting is required as the firm does not receive fees more than six months in advance.