



*Every detail matters.*

## **FORM ADV PART 2A BROCHURE**

March 14, 2022

### **Heritage Financial Services**

100 Lowder Brook Drive, Suite 1000  
Westwood, MA 02090

Phone: 781-255-0214

Fax: 781-255-0627

[www.heritagefinancial.net](http://www.heritagefinancial.net)

This brochure provides information about the qualifications and business practices of Heritage Financial Services. If you have any questions about the contents of this brochure, please contact us at (781) 255-0214 and/or [heritage@heritagefinancial.net](mailto:heritage@heritagefinancial.net). 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 Heritage Financial Services is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Heritage Financial Services is a registered investment adviser. Any references to Heritage Financial Services as a registered investment adviser or its related persons as registered Advisory Representatives does not imply a certain level of skill or training.



## **Item 2 - Summary of Material Changes**

At least annually, this section will discuss only specific material changes that are made to the Brochure and provide you with a summary of such changes. Additionally, reference to the date of the last annual update to this Brochure will be provided.

The material changes made to our Brochure dated March 16, 2021, are as follows:

## **Item 4 – Advisory Business**

- Updated the amount of discretionary assets under our management

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

- Updated our methods of analysis

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

- Updated our client referrals section

A copy of our updated Brochure may be requested by contacting us at (781) 255-0214 and/or [heritage@heritagefinancial.net](mailto:heritage@heritagefinancial.net). Our Brochure is available to you free of charge.

Additional information about Heritage Financial Services is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The IARD number for Heritage Financial Services is 127268. The SEC's web site also provides information about any persons affiliated with Heritage Financial Services who are registered, or are required to be registered, as Advisory Representatives of Heritage Financial Services.

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## Item 4 - Advisory Business

Heritage Financial Services (hereinafter referred to as “Heritage”) is a fee-based adviser that provides asset management and financial planning services.

**A.** Charles S. Bean III incorporated Heritage Financial Services under the laws of the state of Massachusetts in 1996 and became a limited liability company in January 2014. Heritage was registered with the state of Massachusetts from September 2000 until July 2005. Heritage filed for investment adviser registration with the SEC in July of 2005. Heritage is majority owned by Heritage Financial Services, Inc. Charles S. Bean III is the sole owner of Heritage Financial Services, Inc. He has been in the financial services industry since 1990. Sammy A. Azzouz is the President of Heritage Financial Services, LLC. Additional business information about Chuck, Sammy and Heritage’s advisory representatives is disclosed in our Supplemental Brochure.

**B.** Heritage offers Asset Management and Financial Planning services, as fully described below:

These services may be general in nature or focused on particular areas of interest or need depending upon each client’s unique circumstances.

### Asset Management and Financial Planning Services

An initial free, no obligation meeting is offered to introduce Heritage’s services and fees. Once there is mutual agreement and desire to consider working together, we will request a number of documents to help understand your overall financial situation.

Heritage will gather financial information and history from you such as your financial and retirement goals, investment objectives, investment time horizon, tolerance for risk, financial needs, cash flow analysis, education needs, savings tendencies, and other applicable financial information. All information gathered from you is confidential.

The financial plan is based on your financial situation at the time and on the financial information you disclose to Heritage. Certain assumptions will be used with respect to anticipated tax rates, future rates of return and inflation as well as the use of past trends and performance of the market and the economy. However, past performance is in no way an indication of future performance. Heritage cannot offer any guarantees or promises that your financial goals and objectives will be met. Furthermore, you should continue to review and update your plan with Heritage as changes occur with the assumptions used and/or there are changes in your financial situation, goals, or objectives. If your financial situation or investment goals or objectives change, you should notify Heritage promptly. You are advised that the financial advice offered by Heritage may be limited and is not meant to be legal or accounting advice. Based on your specific needs or situation, you may need to seek the services of other professionals such as a banker, an insurance adviser, attorney and/or accountant. You should consult with the attorney, accountant or professional of your choosing to understand legal, tax or other implications of the financial advice provided. Our primary goal is to help our clients identify and pursue their financial goals, thereby enhancing the overall quality of their lives.



After evaluating the information gathered by Heritage, we will prepare a written financial plan and present the analysis and recommendations for steps to be taken to work toward your financial goals. We will customize your investment portfolio taking into consideration your limitations or restrictions, and your personal financial goals and objectives. We have asset allocation models to assist us in general portfolio construction. If you are satisfied with our recommendations and decide to engage Heritage for asset management and financial planning services, we will have you sign an Asset Management and Financial Planning Agreement. After we implement the initial portfolio allocation and with your written approval as indicated in the Asset Management and Financial Planning Agreement, we will provide continuous and ongoing management of your account using our own discretion to determine any changes to the account. Unless otherwise expressly requested by you, Heritage will manage the account and will make changes to the allocation as deemed appropriate by Heritage. Heritage will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you. These transactions may cause taxable events. Since our investment strategies and advice for each client is based upon their specific financial situation, the investment advice we provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment.

Heritage primarily uses institutional open-end mutual funds and closed-end interval funds. However, managed accounts are not exclusively limited to mutual funds and closed-end interval funds, and may include stocks and bonds, certificates of deposits, government securities, exchange-traded funds (ETFs), money markets, annuities, REITs and other securities. Mutual funds are offered in various share classes. Share classes are priced differently and have varying levels of internal costs. Share classes, other than institutional share classes, involve higher internal costs that over time will cost you more. Institutional share classes, which tend to have low annual expenses, often have higher trading costs. Selecting the lowest cost share class for a client does not mean the least expensive share class. Heritage considers the anticipated holding period, cost structure, and administrative and transaction costs associated with the product when selecting a share class and will select the lowest cost share class funds available that are appropriate to the specific client situation. We also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent deferred sales charges. However, there is no way to predict the future and there are occasions where a holding is liquidated sooner or held longer than initially anticipated resulting in higher costs to the client.

When consistent with investment objectives, we also recommend accredited investors invest in private placement securities (limited partnerships), which may include debt, equity, and/or pooled investment vehicles. Heritage will receive no additional compensation from investments in private placement securities but will continue to receive asset management fees for those assets under management.

Heritage also offers discretionary asset allocation services and investment recommendations to clients regarding variable annuity products, 529 college savings plans, and/or individual employer-sponsored retirement and deferred compensation plans. We either direct or recommend the allocation of assets among the various mutual fund and investment choices offered by the variable annuity, 529 plan or



retirement/deferred compensation plan. Your assets are maintained at either the specific fund company or insurance company that issued the variable annuity or 529 plan or at the custodian designated by the sponsor of your retirement/deferred compensation plan.

Heritage is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act (ERISA) and/or the Internal Revenue Code, as applicable to retirement investors and complies with “impartial conduct standards”. These are consumer protection standards that ensure advisers adhere to fiduciary norms and basic standards for fair dealing. This means Heritage must give advice that is in the best interest of the retirement investor, charge no more than reasonable compensation and make no misleading statements about investment transactions, compensation and conflicts of interest.

Upon review of clients’ employer sponsored retirement plan or other qualified retirement plans, Heritage may recommend clients roll over their employer sponsored retirement plan assets or other qualified retirement plan assets to an IRA, keep the assets in their employer-sponsored retirement or other qualified retirement plan, or review other options available to the client. Before making a recommendation, Heritage will consider some or all of the following factors: retirement alternatives to a rollover, including leaving the money in the current plan, if permitted; investment choices available in the retirement plan(s) and an IRA; the fees and expenses charged under each option; tax consequences, if any; required minimum distributions and age requirements; and protection of assets from creditors and legal judgments.

Should Heritage recommend a client rollover their employer sponsored plan or other qualified retirement plan to an IRA managed by Heritage, or recommend the client maintain their assets in the employer sponsored retirement plan or other qualified retirement plan and engage Heritage to manage the assets in the plan, compensation will be earned by Heritage. This presents a conflict of interest because Heritage has an incentive to recommend a client roll plan assets into an IRA that Heritage will manage or to engage Heritage to manage the retirement plan while maintained at the client's employer sponsored retirement plan or other qualified retirement plan for the purpose of generating fee based compensation rather than solely based upon client needs. Heritage attempts to mitigate this conflict of interest by informing clients that they are under no obligation to rollover their assets to a Heritage managed IRA, to use a specific custodian, or to engage Heritage to manage the assets in the plan.

**C.** Heritage will tailor the advisory services to your individual needs. You can impose restrictions and/or limitations on investing in certain individual securities or types of securities. We will ask you to complete a client data gathering form and risk tolerance questionnaire to assist us with obtaining information about your financial situation and history. We will conduct an interview and data gathering session to continue the due diligence process. The information gathered by Heritage will assist us in providing you with the requested services and customize the services to your financial situation. Depending on the services you have requested, we will request various financial information and history from you including, but not limited to:





- Financial needs, financial and retirement goals, investment objectives, investment time horizon, bank, investment and retirement statements, other assets and income and expenditures as well as tax returns, education needs, savings tendencies, and any other financial information required by our firm to provide the investment advisory services you have requested.

**D.** Heritage does not participate in any wrap fee programs.

**E.** As of December 31, 2021, we have approximately \$2.228 billion of client assets under our discretionary management.

## Item 5 - Fees and Compensation

**A.** Advisory fees for new clients will be in accordance with the following tiered fee schedule listed below. Both asset management and financial planning services are included in these fees. Fees are subject to change and are based on the aggregate value of all managed accounts within the established household.

Account Size	Annual Fee
First \$0 to \$2,500,000	1.00%
Next \$2,500,001 to \$5,000,000	.60%
Next \$5,000,001-\$10,000,000	.50%
Next \$10,000,001 to \$25,000,000	.40%
Greater than \$25,000,000	.30%

\*Note: At Heritage's discretion, client accounts from one household may be consolidated with client accounts from other households to aggregate account values for fee calculations. The annual fee will then be based on an aggregate value of all accounts within the combined household. Included in the householding will be all assets managed by Heritage which may be held at various custodians. These assets may include, but not be limited to, brokerage account assets, variable annuity products, 529 college savings plans, and/or individual employer sponsored retirement and deferred compensation plans.

In limited and unique circumstances, our fees may be negotiable based on factors such as significant capital additions in the future; anticipated future earning capacity; related accounts; account composition; pre-existing client pro bono activities, and complexity of services provided. In such cases, the negotiated arrangement will be described in the client's asset management and financial planning agreement. Fees are not based on a share of capital gains or capital appreciation of the funds or any portion of the funds in your account.

You can make additional deposits to or partial withdrawals from your account at any time. Additional deposits made during a quarter for amounts equal to \$25,000 or more will be assessed a prorated fee for the remainder of the quarter. Withdrawals made during a quarter for amounts equal to \$25,000 or

more will be credited with a prorated credit for the remainder of the quarter. No fee adjustments will be made for account appreciation or depreciation.

**B.** Fees are payable quarterly in advance and are based upon the market value of the Client's portfolio on the last day of the previous quarter as valued by the Custodian and/or other financial institutions valuing the assets. The value of the portfolio may include, but is not limited to, assets under our management held at Charles Schwab & Co., Inc. (Schwab), mutual fund or variable annuity companies, retirement plans such as 401(k) and 403(b), 457s, pension plans, 529 college savings plans, and deferred compensation plans (herein referred to as "other institutions"). If an account is established during the middle of a quarter, you will pay a pro-rated quarterly advisory fee assessed in arrears based on the market value of the assets from the date of deposit through the end of the quarter. Fees will be automatically debited in the month following the end of the calendar quarter computed and debited in advance for that current quarter and will include any calculated prorated fees from the previous quarter, provided you have given Heritage written authorization to debit the fee. In the case of multiple accounts, we may debit aggregate fees from single or multiple accounts as permissible by law. You will be provided with an account statement from your account custodian reflecting the deduction of the advisory fee. If your account does not contain sufficient funds to pay the advisory fees, we have the limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. Except for ERISA and IRA accounts, you can reimburse your account for advisory fees paid to Heritage.

**C.** In addition to the advisory fees above, you will pay transaction fees for securities transactions executed in your account in accordance with the custodian's transaction fee schedule. You will also pay fees for custodial services, account maintenance fees, and other fees associated with maintaining your account. These fees are not charged by Heritage but are charged by the product sponsor or account custodian. Heritage does not share in any portion of these fees. Additionally, you will pay your proportionate share of the mutual fund's and/or variable annuities management and administrative fees and sales charges as well as the mutual fund adviser's fee of any mutual fund they purchase. These fees are not shared with Heritage and are compensation to the fund manager. In some instances, clients may hold no transaction fee funds at Schwab. Some of these funds may charge a short-term redemption fee if the fund is not held for a certain period of time. For full disclosure, you should read the mutual fund prospectus and/or offering memorandum for each investment. For more information regarding Brokerage Practices, please see Item 12.

**D.** The advisory fee is billed quarterly in advance. Fees are based on the value of your total portfolio as of the last day of the previous quarter.

**E.** You may terminate investment advisory services at any time without penalty upon verbal or written notice to Heritage. You will, however, be responsible for any fees and charges incurred from third parties as a result of maintaining the account, such as transaction fees for any securities transactions executed and account maintenance or custodial fees. If investment advisory services are terminated during a quarter, you will be charged a pro-rated advisory fee for the quarter up to the date of termination. Any unearned, pre-paid fees will be refunded to you based upon the number of days left in the quarter from the date of termination. In the case of the termination of a Client relationship,





certain investments may not be eligible to be held at other custodians or without an approved RIA as your advisor. In these cases, those securities will have to be liquidated before transferring the assets to your new custodian. This may cause a taxable gain or loss.

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

Heritage does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 - Types of Clients**

Heritage's services are primarily offered to both high net worth and non-high net worth individuals, trusts and estates, pension and profit-sharing plans, charitable organizations, endowments and foundations.

The minimum household size to obtain advisory, financial planning and asset management services is generally \$1,000,000. Households below this minimum may be accepted at our discretion. Performance of smaller accounts may vary from the performance of accounts with more dollars invested since smaller accounts may have more concentrated portfolios.

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

**A.** Heritage manages client portfolios through strategic asset allocations that we believe are appropriate considering a client's goals, risk tolerance, and financial resources. Heritage gains exposure to asset classes primarily through the use of open-end mutual funds, closed-end interval funds, exchange-traded funds (ETFs), and limited partnerships. Client portfolios may hold individual securities based on their specific situation. We determine our target asset allocations based on capital market assumptions (CMAs) for asset class returns, volatility and cross correlations as well as our view of the current economic environment. We select specific investments within each class based on various factors, including our view on the market's efficiency, product fees, manager tenure, past performance, portfolio valuations and the current set of investible opportunities.. To augment our internal capabilities, we have contracted with Fiducient Advisorsto assist in generating CMAs,, running constrained optimizations, and selecting products to fulfill each allocation. Investing in funds or securities involves the risk of loss that you should be prepared to bear, including the potential for the loss of principal. Primary risks include market risk, manager risk and liquidity risk.

**B.** We do not represent, warrantee or imply that the services or methods of analysis we use will predict future results, successfully identify market trends or insulate you from losses. The primary risk involved with our portfolio construction process is the risk of under or over allocating funds to certain asset classes or individual securities. While we do not recommend Environmental, Social & Governance (ESG) strategies broadly for reasons such as, investment constraints and challenges meeting individual preferences, we provide a suite of products and allocation options should a client "opt-in" and request an ESG component. Past performance does not guarantee future results. No guarantees can be offered that your goals or objectives will be achieved. Furthermore, no promises or assumptions can be made

that the advisory services offered by Heritage will provide a better return than other investment strategies.

**C.** As stated above in Item 4, Heritage primarily uses open-end mutual funds, closed-end interval funds, exchange-traded funds (ETFs), and limited partnerships in client portfolios. The risks with mutual funds include the costs and expenses within the fund that can impact performance and failure of managers to achieve their objectives. Open-end mutual funds are not typically subject to liquidity risk. Interval funds include the same risks listed above with open-end mutual funds, and in addition, carry illiquidity risk, which is the risk that certain assets may not be able to be sold in a timely manner. Mutual fund fees are described in the fund's prospectus, which the custodian delivers to the client following any purchase of a mutual fund that is new to the client's account. In addition, a prospectus is available online at each mutual fund company's website. Limited partnerships are less transparent investment structures whose risk include the costs and expenses within the partnership that can impact performance, failure of managers to achieve their objectives, operational risk, tax risk, regulatory risk and illiquidity risk. These risks will be described in the private placement memorandum (or subscription agreement) which will be provided to you. Additionally, all securities are subject to market risk, the risk that the price of a security, bond, mutual fund and/or exchange-traded 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 circumstances.

## **Item 9 - Disciplinary Information**

There is no reportable disciplinary information for Heritage, its managers or financial advisers.

**For Massachusetts Residents:** Massachusetts General Laws Section 203A requires disclosure that information about the disciplinary history and the registration of Heritage and its associated person(s) may be obtained by contacting the Public Reference Branch of the Securities and Exchange Commission at (202) 942-8090 or the Massachusetts Securities Division at (617) 727-3548.

## **Item 10 - Other Financial Industry Activities and Affiliations**

**A. & B.** Heritage does not have a related person who is a: broker/dealer or other similar type of broker or dealer; investment company or other pooled investment vehicle, other investment adviser or financial planner; futures commission merchant or commodity pool operator; banking or thrift institution; accountant or accounting firm; lawyer or law firm; insurance company or agency; pension consultant; real estate broker or dealer; or sponsor or syndicator of a limited partnership.

**C.** Heritage nor its management has a relationship with any of the following entities: broker/dealer, municipal securities dealer, or government securities broker/dealer, investment company or other pooled investment vehicle, other investment adviser or financial planner, futures commission merchant, commodity pool operator or commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, pension consultant, real estate broker or dealer or sponsor syndicator of limited partnerships.

**D.** Heritage does not recommend or select other investment advisers for its clients.

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

### Code of Ethics

**A.** Heritage has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. Heritage takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as our policies and procedures. Further, we strive to handle your non-public information in such a way to protect information from falling into the hands of anyone who has no business reason to know such information. We provide you with our Privacy Policy which details our procedures for handling your personal information. Heritage maintains a Code of Ethics for its supervised persons and office staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about your transactions. Further, our Code of Ethics establishes our firm's expectation for business conduct. A copy of our Code of Ethics will be provided to you upon request.

**B.** Neither Heritage nor its associated persons recommend to clients or buys or sells for client accounts any securities in which we have a material financial interest.

**C.** Heritage and its associated persons can buy or sell securities identical to those securities recommended to you. Therefore, Heritage and/or its associated persons can have an interest or position in certain securities that are also recommended and bought or sold to you. They will not put their interests before your interest. Neither Heritage nor any associated person may trade ahead of you or trade in such a way to obtain a better price for themselves than for you or other clients.

**D.** Heritage is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of your transactions and their related family accounts at least quarterly. Furthermore, associated persons are prohibited from trading on non-public information or sharing such information.

## Item 12 - Brokerage Practices

### **A. The Custodian and Brokers We Use**

Heritage does not maintain custody of your assets; although we are deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15-Custody, below). Your assets must be maintained in an account at a "qualified custodian", generally a broker-dealer or other financial institution. We primarily recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as a qualified custodian. We may utilize other qualified custodians to hold your assets, i.e., annuities, 529 plans, etc. We are independently owned and operated and are not affiliated with Schwab or any other qualified custodian. The qualified custodian will hold your assets in a brokerage account and buy and sell securities with our instruction. While we



will recommend a qualified custodian to hold your assets, you will decide whether to do so and will open the account directly at the qualified custodian with our assistance.

### **How We Select Brokers/Custodians**

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services
- Capability to execute, clear and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded fund [ETFs], limited partnerships)
- Availability of investment research and tools that assist us in making investment decisions.
- Quality of services
- Competitiveness of the price of those services and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us

### **Your Brokerage and Custody Costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that are executed or settled into your Schwab account. Certain trades (for example, many mutual funds or ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program. Schwab's commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10,000,000 of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. Because of these factors, in order to minimize your trading costs, we have Schwab execute most trades for your account(s). We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How We Select Brokers/Custodians").

### **Products and Services Available to Us from Custodians**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. However, certain retail customers may be able to get institutional brokerage services from Schwab without going through us. Schwab also makes available various support services. Some of those services help us



manage or administer our clients' accounts; while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

**Services That Benefit You.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's, and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping and client reporting

**Services That Generally Benefit Only Us.** Schwab also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services themselves. In other cases, they will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive their fees for some of these services or pay all or a part of a third-party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. This creates an incentive to recommend that you establish and maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. To



mitigate the conflict, this disclosure is provided to you. As a fiduciary, we must act in your best interests. We believe that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us.

**B.** We may aggregate purchase or sale orders of an individual security in the event that we are trading a large quantity of shares across multiple client accounts in one trading day. We may aggregate orders if we believe individual orders would materially impact the security price and aggregating orders would lead to better execution.

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

### **Item 13 - Review of Accounts**

**A.** We will attempt to contact you at least annually to determine if there have been any changes to your financial situation or investment objective(s). Our office will be reasonably available to you, during normal business hours, for consultation regarding the management of your account. You should notify Heritage of any changes to your financial situation, goals and objectives, whereas such changes may require us to review the portfolio allocation and make recommendations. You agree to notify us promptly if you identify any errors or have any questions or concerns about the accuracy of any item in an account statement or transaction confirmation. Accounts will be reviewed on a periodic basis unless otherwise requested by the client. Reviews are conducted by the research staff, analysts, and financial advisers at Heritage.

**B.** Heritage will monitor for changes or shifts in the economy, changes to the management and structure of mutual funds, limited partnerships, or other investment vehicles in which your assets are invested, and market shifts and corrections. We will also review client accounts if there is a change in their investment objective or if significant contributions or withdrawals are made to/from their account. In addition, we may review accounts for tax loss selling, change in a client's tax situation, or a change in the tax code.

**C.** You will be provided statements at least quarterly directly from account custodians and/or other institutions where your assets are maintained. Additionally, you will receive confirmations of all transactions directly from account custodians and/or other institutions where your assets are maintained. All non-retirement accounts and retirement accounts for those clients taking distributions will receive an annual tax reporting statement after the first of each year. In addition, at least once a year, all fee-paying clients will receive a performance report. You should compare the report with statements received directly from the account custodian(s). Should there be any discrepancy; the account custodian's report will prevail.



## Item 14 - Client Referrals and Other Compensation

**A.** We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. You do not pay more for assets maintained at Schwab as the result of these arrangements. However, we benefit from the referral arrangement because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12-Brokerage Practices). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. While the receipt of products or services is a benefit for you and us, it also presents a conflict of interest. Schwab also provides a benefit by covering any trading error resulting in \$100 or less. This is standard procedure for Schwab.

Product vendors recommended by Heritage may provide monetary and non-monetary assistance with client events and provide educational tools and resources. While conducting due diligence meetings, product sponsors may pay for or reimburse Heritage for travel, lodging, meals and other incidental expenses incurred while conducting due diligence. The benefits received by Heritage by attending due diligence meetings do not depend on the amount of transactions directed to the product sponsor. Clients should be aware, however, that the receipt of economic benefits by Heritage in and of itself creates a conflict of interest and may indirectly influence Heritage's use of product sponsor investments in their asset allocation models. Heritage's due diligence and product selection does not take into consideration any monetary or non-monetary assistance it may receive.

Heritage attempts to mitigate any conflicts of interest by notifying you of the conflict. We inform you that you are free to consult other financial professionals. We are bound by our Code of Ethics to act in an ethical manner.

**B.** Heritage pays referral fees to independent solicitors for the referral of clients to us, in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. This referral fee is a share of our advisory fee. Additionally, Heritage acts as a solicitor for other investment advisers, in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940. If the referred client decides to engage the investment adviser for advisory services, Heritage will be compensated for the referral by payment of a portion of the advisory fee assessed by the investment adviser. Either arrangement will not result in higher costs to the client. All referred clients will be given written disclosure describing the terms and fee arrangements between Heritage and the investment adviser, thus mitigating any conflict of interest. Additionally, all applicable federal and state laws are observed.

Heritage has entered into an agreement with SmartAsset, an SEC registered investment advisor. SmartAsset provides individuals and high net worth individuals with a free, interactive, online financial advisor matching platform at [www.smartasset.com](http://www.smartasset.com). Smart Asset's intention is to match individuals with a registered investment advisor that can assist individuals with their financial needs. Referral fees are paid to Smart Asset at a flat rate on a monthly basis, regardless of whether or not any individual



becomes a client of Heritage, and no portion of the referral fees paid to Smart Asset are charged to individuals. Additionally, if an individual referred by Smart Asset becomes a client of Heritage, advisory fees paid by individuals will not be increased as a result of the Smart Asset referral agreement. Individuals will receive a disclosure statement that describes the relationship between Smart Asset and Heritage and the compensation Heritage pays to Smart Asset. SmartAsset does not solicit clients on behalf of Heritage and does not promote or endorse Heritage or its investment strategies.

Heritage also engages the services of a sub-advisor to provide financial planning services to certain clients. Heritage pays the sub-advisor a portion of the advisory fee it receives from the client. This does not result in any additional costs to the client. Compensation for these services is governed by the sub-advisory agreement between Heritage and the sub-advisor. Clients sign a disclosure document describing the nature of sub-advisory relationship, thus mitigating any conflict of interest.

Heritage may also refer clients to other professionals for a variety of services such as accounting, tax, legal or insurance. Clients are under no obligation to purchase any products or services through these professionals or to purchase any products recommended by these professionals. Client retains discretion over all such implementation decisions and is free to accept or reject any recommendations from Heritage.

Heritage has a conflict of interest in making these recommendations because it could receive referrals from professionals it has recommended to clients. Heritage will only refer other professionals to its clients when we believe the services provided by the professional are in the best interest of the client's needs. Heritage does not receive any compensation for these professional referrals.

Heritage's related persons that are insurance agents may receive commissions for the sale of insurance products in instances where they refer a client to another insurance agent. The receipt of this compensation may affect the judgment of related persons when recommending certain insurance agents to its clients. While related persons endeavor at all times to put the interest of the clients first as part of its fiduciary duty, clients should be aware that the potential receipt of commission itself creates a conflict of interest and may affect the judgment of related persons when making insurance agent recommendations. Referred clients are not obligated to use referred insurance agent and Heritage is not involved in the selection of insurance products.

Heritage has multiple business and non-business relationships with other industry participants including consultants, investment advisers, fund managers and broker-dealers. For example, the managers of investment vehicles in which Heritage places its clients may themselves be clients of Heritage. Similarly, certain of Heritage's clients are employees or principals of companies which Heritage may use for investment management, brokerage or other service arrangements. Heritage may also receive referrals from employees of companies that offer securities products that Heritage may use in client portfolios. A conflict of interest exists to the extent Heritage recommends the use of a particular investment where Heritage has a business relationship with the consultant, investment adviser, fund manager, and/or broker-dealer, or its employees. In order to mitigate this conflict of



interest, Heritage does not consider the receipt of referrals or other business relationships when selecting investment options for clients.

### **Item 15 - Custody**

Heritage does not have physical custody of any client fund or securities. Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct your custodian to deduct our advisory fees directly from your account. However, your custodian maintains actual custody of your assets. You will receive account statements directly from your custodian at least quarterly. They will be sent to the email or postal mailing address you provided to the custodian. You should carefully review those statements promptly when you receive them. As noted under Item 13C above, you should compare the portfolio allocation reports we provide you with your custodial statement.

As part of our customer service, clients can request us to set up Standing Letters of Authorization (SLOAs) to move money from their account with us to a different account. If we have certain 1<sup>st</sup> party wire SLOAs and/or any 3<sup>rd</sup> party SLOAs, we are deemed to have custody. Heritage complies with the conditions of the safe harbor provisions and is therefore exempt from the annual surprise exam requirement for Advisers that have custody.

### **Item 16 - Investment Discretion**

You can grant Heritage authorization to manage your accounts on a discretionary basis. You will grant such authority to Heritage by execution of the asset management and financial planning agreement. You can terminate the discretionary authorization at any time by giving us written notice.

Additionally, you are advised that:

- 1) You can set parameters with respect to when account should be rebalanced and set trading restrictions or limitations.
- 2) Your written consent is required to establish any investment management account.

### **Item 17 - Voting Client Securities**

Heritage does not vote your securities. Unless you suppress proxies, securities proxies will be sent directly to you by the account custodian or transfer agent. You can contact Heritage to ask questions and opinions on how to vote the proxies. However, the voting and how you vote the proxies is solely your decision.

### **Item 18 - Financial Information**

- A. Heritage does not require you to prepay more than \$1,200 and six or more months in advance of receiving the advisory service; therefore, a balance sheet is not required to be attached.
- B. Heritage is financially stable and there is no financial condition that is likely to impair our ability to meet our contractual commitment to you or any other client.
- C. Heritage has never been the subject of a bankruptcy petition.