

## FINANCIAL PLAN, INC.

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March 31, 2023

This Brochure provides information about the qualifications and business practices of Financial Plan, Inc. If you have any questions about the contents of this Brochure, you may contact us at (360) 714-1234 or David Dick, Chief Compliance Officer, at [david.dick@FinancialPlanInc.com](mailto:david.dick@FinancialPlanInc.com) to obtain answers and additional information. Financial Plan, Inc. is a registered investment adviser with the Securities and Exchange Commission. Registration of an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

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

## Item 2 – Material Changes

The date of our previous annual update to our Brochure was March 24, 2022.

We will ensure that all current clients receive a Summary of Material Changes (if any) to this and subsequent Brochures within 120 days of the close of our business' fiscal year. A Summary of Material Changes is also included with our Brochure on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Financial Plan, Inc. is 116073. The Summary of Material Changes is listed as "Exhibit A" to our Brochure. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting us at (360) 714-1234 or [david.dick@FinancialPlanInc.com](mailto:david.dick@FinancialPlanInc.com). Our Brochure is provided free of charge.

FINANCIAL PLAN, INC.  
PART 2A OF FORM ADV – FIRM BROCHURE

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#### **Item 4 – Advisory Business**

- A** Financial Plan, Inc. (“FP” “we” or “us”) is an independent Bellingham, Washington based investment advisory firm providing a variety of services to our clients. This Brochure has been created to provide information relating to the investment advisory and financial planning services we provide to individuals.

The firm has been in business since 1996 and is registered as an investment adviser with the SEC. James Twining, founder and President of Financial Plan, Inc. Beginning in 1984, before Financial Plan, Inc. was founded, James Twining offered comprehensive fee-based financial planning services.

- B, C** We offer investment advisory and portfolio management services to individuals. Our investment recommendations generally include mutual funds, individual bonds, exchange-listed equity securities, FDIC insured bank accounts, and in rare instances variable annuities. If clients hold other types of investments, we will advise them on those investments also.

#### **Individuals**

We have discretionary authority relating to the investment advisory services we offer to our individual clients. See Item 16 below for information regarding discretionary authority. Our advice and services are tailored to the unique objectives of each Client. We formulate an investment policy statement after discussing with each client their risk tolerance, time horizon, and projected future liquidity needs, current holdings, tax considerations, personal market views and other factors. The investment policy statement guides us in objectively formulating suitable investment and financial recommendations. We meet with clients as needed to review portfolio performance, discuss current issues, and re- assess goals and investments plans. Client input, involvement and decision-making are critical parts of the financial planning process and implementation of investment decisions.

Clients may impose restrictions on investing in certain securities or types of securities. We consider such restrictions when preparing the Client’s investment strategy. See Item 8 for a description of our investment strategy.

#### **Financial Planning Process**

Our core business is the management of investment portfolios. We understand that in order to make wise investment decisions we must become aware of various related financial areas. We begin by interviewing the client regarding personal data, family relationships, cherished values, life goals, and risk tolerance. We develop a Current View, which consists of a balance sheet, statement of cash flows, and income tax statement. We then create Goal Projections which measure the feasibility of achieving goals and recommended modifications to the goals. With the knowledge of the client’s goals, risk tolerance, and time horizons we are equipped to then develop a Portfolio Design, which outlines the equity percentage, asset class allocation, and security selections that are optimal to achieve the goals. Having established the portfolio, we set out to protect it by creating an Insurance Evaluation, examining each area of coverage

including life, disability, medical, long term care, and property & casualty. The amount of coverage needed is discussed, and the cost effectiveness of existing coverage is reviewed. New coverage is suggested if appropriate, and unneeded coverage is eliminated. We refer to various insurance agencies for implementation of the insurance program. Finally, we discuss the planned Estate Transition, in which we review the title of assets, the beneficiary designations, wills, trusts, powers of attorney, and other documents designed to cause your estate to pass to your heirs according to your wishes and in a tax efficient manner. We refer to various estate planning attorneys for estate planning advice and implementation.

- D** We do not participate in or sponsor any wrap-fee programs.
- E** We manage \$845,050,649 of Client assets, on a discretionary basis. These amounts were calculated as of December 31, 2022.

## Item 5 – Fees and Compensation

- A** Our fees are highly dependent on a variety of factors, including: the size of the portfolio, the specific work required by our agreement, the location of the client and whether travel is required, and the number of meetings the client requires, etc. Nonetheless, we do have a standard fee schedule. Fees are asset-based.

### **Quarterly Advisory Expense:**

Minimum expense: \$1,500, which includes management of the first \$500,000 in managed assets.

<u>Assets Under Advisement</u>	<u>Expense</u>
\$500,000 to \$2 million	0.20%
\$2 million to \$3 million	0.15%
\$3 million to \$4 million	0.10%
\$4 million to \$10 million	0.05%
Over \$10 million	0.025%

### **Financial Planning**

We also offer investment consultation or financial planning services at an hourly rate or for a fixed fee. Hourly fees are charged at a rate of \$250 per hour. Hourly fees are negotiable.

If financial planning services are provided in conjunction with asset management services the client will be required to provide a deposit, which will be determined on a project-by- project basis depending on the scope of work performed. The portion of the deposit not used for financial planning services will be used towards asset management fees.

- B** Fees based upon a percentage of Assets Under Management (“AUM”) are deducted directly from Client custodial accounts upon submission of an invoice to the custodian. The custodian will provide a quarterly statement to the client detailing the amount of the fee and the value of the client's assets on which the fees are based. Payment of fees may result in the liquidation of Client’s securities if there is insufficient cash in the account.

AUM fees are charged quarterly in advance based upon the market value of the account on the last day of the previous quarter. Market value means the value of all assets in the account (not adjusted by any margin debit). To determine value, securities and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale price on the principal market in which they are traded (or, if there shall be no sales on a given date, then at the mean between the closing bid and asked prices on such date). Other readily marketable securities and other instruments shall be priced using a pricing service or through quotations from one or more dealers. All other assets shall be valued at fair value by the Adviser whose determination shall be conclusive.

- C** Clients pay brokerage transaction costs and other charges directly to the custodian. See Item 12. Financial Plan, Inc.'s fees are exclusive of brokerage ticket charges, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges and fees are exclusive of and in addition to Financial Plan, Inc.'s fee, and Financial Plan, Inc. shall not receive any portion of these fees and costs.
- D** Clients pay all advisory fees quarterly, in advance. Fees for a partial quarter at the commencement or termination of an agreement will be prorated based on the number of days the account was open during the quarter. We may modify the terms of the fee agreement by giving clients 60 days written notice in advance, or by written authorization by clients.

All service agreements may be terminated at any time by either party by providing the other party with 30 days written notice. Upon termination of any account, any fees that have been earned by advisor but not yet paid by Client will be immediately due and payable. Any fees that have been paid but not yet earned by advisor will be immediately refunded to Client.

#### Rollover Recommendations

As part of our investment advisory services to you, we may recommend that you roll assets from your employer's retirement plan, such as a 401(k), 457, or ERISA 403(b) account (collectively, a "Plan Account"), to an individual retirement account, such as a SIMPLE IRA, SEP IRA, Traditional IRA, or Roth IRA (collectively, an "IRA Account") that we will manage on your behalf. We may also recommend rollovers from IRA Accounts to Plan Accounts, from Plan Accounts to Plan Accounts, and from IRA Accounts to IRA Accounts. When we provide any of the foregoing rollover recommendations we are acting as fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act ("ERISA") and/or the Internal Revenue Code ("IRC"), as applicable, which are laws governing retirement accounts.

If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the advisory agreement you executed with our firm. This creates a conflict of interest because it creates a financial incentive for our firm to recommend the rollover to you (*i.e.*, receipt of additional fee-based compensation). You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm. Due to the foregoing conflict of interest, when we make rollover recommendations, we operate under a special rule that requires us to act in your best interests and not put our interests ahead of yours.

Under this special rule's provisions, we must:

- meet a professional standard of care when making investment recommendations (give prudent advice);
- never put our financial interests ahead of yours when making recommendations (give loyal advice);
- avoid misleading statements about conflicts of interest, fees, and investments;
- follow policies and procedures designed to ensure that we give advice that is in your best interests;
- charge no more than a reasonable fee for our services; and
- give you basic information about conflicts of interest.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of a rollover.

Note that an employee will typically have four options in this situation:

1. leaving the funds in your employer's (former employer's) plan;
2. moving the funds to a new employer's retirement plan;
3. cashing out and taking a taxable distribution from the plan; or
4. rolling the funds into an IRA rollover account.

Each of these options has positives and negatives. Because of that, along with the importance of understanding the differences between these types of accounts, we will provide you with a written explanation of the advantages and disadvantages of both account types and the basis for our belief that the rollover transaction we recommend is in your best interests.

As an alternative to providing you with a rollover recommendation, we may instead take an entirely educational approach in accordance with the U.S. Department of Labor's Interpretive Bulletin 96-1. Under this approach, our role will be limited only to providing you with general educational materials regarding the pros and cons of rollover transactions. We will make no recommendation to you regarding the prospective rollover of your assets and you are advised to speak with your trusted tax and legal advisors with respect to rollover decisions. As part of this educational approach, we may provide you with materials discussing some or all of the following topics: the general pros and cons of rollover transactions; the benefits of retirement plan participation; the impact of pre-retirement withdrawals on retirement income; the investment options available inside your Plan Account; and high level discussion of general investment concepts (*e.g.*, risk versus return, the benefits of diversification and asset allocation, historical returns of certain asset classes, etc.). We may also provide you with questionnaires and/or interactive investment materials that may provide a means for you to independently determine your future retirement income needs and to assess the impact of different asset allocations on your retirement income. You will make the final rollover decision.



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

Financial Plan does not charge any performance-based fees for its services. Accordingly, this item is not applicable to our firm.

### **Item 7 – Types of Clients**

We provide investment and financial advisory services to individuals and high net worth individuals. We do not have a stated minimum account size.

In addition to individuals and couples, we will also provide investment and financial advisory services to various foundations, associations, corporations, retirement plans and non-profit organizations.

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

- A** In portfolio construction we avoid an active, predictive approach in favor of what might be referred to as an “enhanced passive” method. Our security holdings are predominantly mutual funds and exchange traded funds. The equity mutual funds selected are managed to take advantage of the dimensions of return as put forth by Eugene Fama and Kenneth French, and the trading strategies employed are pragmatic, minimizing trading costs whenever practical. This approach relies upon the science of capital markets, rather than market forecasts or fundamental or technical stock analysis. Through our primary equity fund manager Dimensional fund Advisors (DFA), we build broadly diversified portfolios in the worldwide equity markets, utilizing core funds to give our clients access to domestic, international, emerging, and global real estate markets. The allocations to these asset classes are rebalanced whenever the variance to the original portfolio design exceeds our tolerance.

The commonalities among our equity securities include low expense ratios, low turnover, and extensive diversification. Equity securities are blended to take advantage of low-price correlation, and low overlap. The fixed income mutual funds and exchange traded funds we utilize are for the most part index funds.

We avoid single issues; with the exception being individual, investment grade bonds, which are utilized on occasion. We are happy to accommodate clients that request the purchase or sale of a particular, individual stock or stocks, but will rarely recommend them per our advice.

- B** We are held to the Fiduciary standard, which requires us to put the client’s interests ahead of our own. We use our best judgment and good faith efforts in making suitable investment recommendations to our Clients. It is the responsibility of the Client to give us complete information and to notify us of any changes in their financial circumstances, goals or risk tolerance. Investing in securities involves risk of loss that Clients must be prepared to bear. Not every investment decision or recommendation made by us will be profitable. We cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time.
- C** As referenced above, our advisory services generally recommend an enhanced passive approach based on the science of the capital markets, rather than speculation and market timing, using primarily passive mutual funds and other index-based mutual funds.

### **Item 9 – Disciplinary Information**

Financial Plan, Inc. is required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. No principal or person associated with Financial Plan has any information to disclose which is applicable to this Item.

**Item 10 – Other Financial Industry Activities and Affiliations**

Financial Plan does not sell insurance or accept commissions as a result of any product recommendations. In addition, no management persons or other employees of Financial Plan are registered, or have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. No one associated with Financial Plan is registered or has an application to register as a future commission merchant, commodity pool operating, or commodity trading Advisor, therefore this item is not applicable to our firm.

**Item 11 – Code of Ethics, Participation or Interest in Client Transaction & Personal Trading**

- A** Financial Plan has a Code of Ethics which all employees are required to follow. The Code of Ethics outlines our high standard of business conduct, and fiduciary duty to Clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

A copy of the code of ethics is available to any Client or prospective client upon request. Our clients or prospective clients may request a copy of the firm's Code of Ethics by contacting David Dick at (360) 714-1234 or [david.dick@FinancialPlanInc.com](mailto:david.dick@FinancialPlanInc.com)

- B,C,D** We do not have a material financial interest in any security or investment that we recommend.

Our managers, employees and other individuals associated with our firm may buy and sell some of the same securities for their own account that we buy and sell or recommend for Clients. In some cases, they may buy or sell securities for their own account that differ from, or for reasons not related to, the strategies adopted for our Clients, many times as a part of our due-diligence process. In general, our employees' wealth level, asset allocation, time horizon, risk tolerance, liquidity needs, and other factors may differ substantially from our Clients' and, accordingly, employee portfolio transactions may reasonably be expected to differ from Client portfolio transactions. Our employees are required to follow the Code of Ethics when making trades for their own accounts in securities which are recommended to and/or purchased for Clients. The Code of Ethics is designed to assure that the personal securities transactions will not interfere with decisions made in the best interest of advisory Clients while at the same time, allowing employees to invest their own accounts. When applicable we will purchase or sell securities for Clients before purchasing the same for our account or allowing representatives to purchase or sell the same for their own account.

Financial Plan will disclose to advisory Clients any material conflict of interest relating to us, our representatives, or any of our employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

## Item 12 – Brokerage Practices

**A** Our clients' assets are held by independent third-party custodians. Except to the extent that the Client directs otherwise, we may use our discretion recommending the broker-dealer. The Client is not obligated to effect transactions through any broker-dealer recommended by us. In recommending a broker-dealer we will comply with our fiduciary duty to seek best execution and with the Securities Exchange Act of 1934 and will take into account such relevant factors as:

- Price;
- The custodian's facilities, reliability and financial responsibility;
- The ability of the custodian to effect transactions, particularly with regard to such aspects as timing, order size and execution of order;
- Any other factors that we consider to be relevant.

Generally speaking, we will recommend that clients engage the securities brokerage and custodial services of Pershing LLC and/or its affiliate, Pershing Advisor Solutions LLC, an SEC registered broker-dealer and Member FINRA/SIPC (collectively "Pershing"), so long as the custodian continues to meet the above criteria. Advisor is not affiliated with Pershing. We work with Pershing for administrative convenience and also because Pershing offers a good value to our clients for transaction costs and other costs incurred.

Pershing makes available to Advisor products and services that benefit Advisor but may not directly benefit its clients' accounts. Some of these other products and services assist Advisor in managing and administering clients' accounts. These may also include software and other technology that provide access to client account data (such as trade confirmation and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Advisor's fees from its clients' accounts and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Advisor's accounts, including accounts not maintained at Pershing.

**B** Financial Plan, Inc. does not aggregate securities transactions.

### Item 13 – Review of Accounts

- A** Accounts are reviewed by David Dick, CCO. We review client accounts quarterly to ensure continuing compliance with the strategic asset allocation of the Investment Policy Statement and to determine if any rebalancing is needed. Clients' accounts are also reviewed at least annually to determine whether the strategic asset allocation is consistent with the client's objectives and risk tolerance. These reviews are completed by one or more of the firm's principals and/or senior consultants.

The frequency of reviews is determined based on the Client's investment objectives. Accounts are generally reviewed quarterly, but in any event, no less than annually.

- B** More frequent reviews may be triggered by a change in Client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; loss of confidence in corporate management; or, changes in the economic climate.
- C** Investment advisory clients receive standard written account statements from the custodian of their accounts on basis no less than quarterly. We may also provide clients with a written report summarizing the account activity and performance generally quarterly, but in any event, no less than annually.



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

As disclosed under item 12. above, Advisor may recommend Pershing to Clients for custody and brokerage services. Pershing may provide services and products to Advisor without cost or at a discount that we may use to service some or all of our client accounts. We may enter into similar arrangements with other broker-dealers and custodians in the future. 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 our firm and/or our associated persons in and of itself creates a potential conflict of interest and may indirectly influence our decision to recommend Pershing to clients for custody and trade execution services.

Otherwise, we have no arrangements, written or oral, in which we compensate others or are compensated for Client referrals.

### **Item 15 – Custody**

With the exception of our ability to debit fees, Financial Plan does not otherwise have custody of the assets in the account.

We shall have no liability to the Client for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount or such loss is covered by the Securities Investor Protection Corporation (“SIPC”) or any other insurance which may be carried by the custodian. The Client understands that SIPC provides only limited protection for the loss of property held by a custodian.

Clients receive standard account statements from the custodian of their accounts on a monthly basis. We may also provide clients with periodic written reports summarizing account activity and performance. We urge all Clients to carefully review statements from the custodian and compare these to reports that we may provide. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### Item 16 – Investment Discretion

Financial Plan has discretion on the amount traded and the securities to be traded within advisory accounts. Clients agree to an equity exposure percentage in each account, or to an aggregate equity exposure across all of their accounts.

Financial Plan, Inc. receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Discretionary authority allows us to execute investment recommendations in accordance with the investment policy statement (or similar document used to establish each Client's objectives and suitability), without the Client's prior approval of each specific transaction. Under this authority, clients allow us to purchase and sell securities and instruments in their account(s), arrange for delivery and payment in connection with the foregoing, select and retain sub-advisors, and act on behalf of the client in matters necessary or incidental to the handling of the account, including monitoring certain assets.

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

- A** As a matter of firm policy and practice, Financial Plan, Inc. does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Financial Plan, Inc. may provide advice to clients regarding the clients' voting of proxies.
- B** Since we do not have authority to vote client securities, Clients will receive proxies and other solicitations directly from the custodian or transfer agent. If any proxy materials are received on behalf of a Client for which we do not have voting authority, they will be sent directly to the Client or a designated representative of the Client, who is responsible to vote the proxy.

**Item 18 – Financial Information**

- A** We require advisory management fees to be paid in advance.
- B** We have discretionary authority over Client funds and securities, but we have no financial commitments that impair our ability to meet contractual and fiduciary commitments to clients.
- C** Neither Financial Plan, nor any of the principals, have been the subject of a bankruptcy petition at any time in the past.

## **Exhibit A – Summary of Material Changes**

This Item discusses specific material changes that have been made to our Brochure since the date of our last annual update on March 24, 2022. Since that filing, we have made the following material changes:

Items 12 and 14: Financial Plan, Inc. no longer participates in the TD Ameritrade Institutional program and generally recommends that clients establish brokerage accounts with Pershing, LLC and/or Pershing Advisors Services, LLC.

Item 15: We no longer have the ability to disburse or transfer certain funds pursuant to Standing Letters of Authorization executed by Clients.

A Summary of Material Changes is also included with our Brochure on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Financial Plan, Inc. is 116073. The Summary of Material Changes is listed as "Exhibit A" to our Brochure. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

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