



**Hapanowicz & Associates Financial Services, Inc.  
Firm Brochure (Form ADV Part 2A)  
March 2023**

This brochure provides information about the qualifications and business practices of Hapanowicz & Associates Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at (412) 261-5966 or [reh@hapanowicz-associates.com](mailto:reh@hapanowicz-associates.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Registration does not imply a certain level of skill or training.

Additional information about our investment advisory business is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



**Hapanowicz & Associates Financial Services, Inc.**

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[www.hapanowicz-associates.com](http://www.hapanowicz-associates.com)

## Item 2 – Material Changes

Since filing our last annual amendment in March 2022 the following changes have been made to this disclosure brochure:

- The firm has adjusted our asset management fee schedule. Please refer to ***Item 5 - Fees and Compensation*** for more specific information

We will continue to ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31st, so you will receive the summary of material changes, if any, no later than April 30 each year. At that time, we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## Item 4 – Advisory Business

### **Description of Advisory Firm**

Hapanowicz & Associates Financial Services, Inc. is a registered investment advisor with the U.S. Securities and Exchange Commission and is properly approved or exempt from registration in the states where we conduct business. Hapanowicz & Associates Financial Services, Inc. performs its investment advisory activities under the names Hapanowicz & Associates Wealth Management and H&A Wealth Management. Our firm is a Corporation formed under the laws of the State of Pennsylvania.

- Hapanowicz & Associates Financial Services is 100% owned by Robert Hapanowicz.
- Our firm has been registered as an investment advisor since May 2011.
- We provide fee-based investment advisory services through Hapanowicz & Associates Financial Services, Inc. The nature and extent of the specific services provided to clients, including you, depends upon each client's financial status, objectives and needs, time horizons, concerns, expectations and risk tolerance.
- The advisor representatives of Hapanowicz & Associates are also licensed as registered representatives with LPL Financial, Inc. a registered broker/dealer and member of FINRA/SIPC. Some of our advisor representatives are also independent insurance agents. When acting in these capacities, our advisor representatives will earn commissions. Our advisory representatives typically spend approximately 5% their time providing commission-based services through LPL Financial. These conflict of interest situations are discussed in more detail at *Item 5, Item 10, Item 12, and Item 14 of this Disclosure Brochure*.
- When providing advisory services, we are able to use various programs sponsored by LPL Financial, an investment advisor registered with the SEC.

### **General Description of Primary Advisory Services**

**Financial Planning Services** – We provide advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focus on a client's overall financial situation. We provide financial analysis and financial planning services consistent with your current financial and tax status, financial goals, investment attitudes and risk/reward parameters.

Financial planning can be described as helping individuals determine and set their long-term financial goals through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives.

**Asset Management Services** – We provide discretionary asset management advisory services wherein we provide clients with continuous and on-going supervision over their accounts. We will first have conversations with you to gain a complete understanding of your financial objectives, time frame, risk tolerance, cash flow needs and any special circumstances. We will then help you select an investment objective, which will guide us in managing your account. We will then construct your diversified portfolio

using a variety of investment vehicles typically including, but not limited to, institutional no-load and load-waived open end mutual funds, exchange traded funds and individual equities.

### **Hapanowicz and Associates Strategic Wealth Investment Management (H&A SWIM)**

Asset management services are provided via LPL Financial's SWM (Strategic Wealth Management) platform. Through this service, our firm offers a customized and individualized investment program for clients. A specific asset allocation strategy is crafted to focus on the specific client's goals and objectives. Clients will be required to complete a Confidential Profile & Questionnaire in order to help define the risk tolerance and investment objective of the client.

H&A Strategic Wealth Investment Management (SWIM) accounts are established at LPL Financial (referred to as "LPL Financial" or "LPL" throughout) in its capacity as a registered broker/dealer, member Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC). Clearing, custody and other brokerage services are provided by LPL Financial for accounts established through the H&A SWIM program. Therefore, clients may be required to establish a brokerage account(s) through LPL Financial's SWM platform. Separate accounts are maintained for each client. Each client retains all rights of ownership of their accounts (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

Within *H&A SWIM* accounts, clients authorize Hapanowicz & Associates to purchase and sell on a discretionary basis, portfolios consisting of securities and investments. Hapanowicz & Associates may limit its discretion with respect to the client account and the securities eligible to be purchased for the client account.

Prior to engaging Hapanowicz & Associates to provide investment management services, the client will be required to enter into a formal investment advisory agreement with Hapanowicz & Associates setting forth the terms and conditions, including the amount of investment advisory fees, under which Hapanowicz & Associates shall manage the client's assets, and a separate custodial/clearing agreement with LPL Financial.

**Retirement Plan Management and Consulting Services** - H&A offers retirement plan management and consulting services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan consulting services may include, but are not limited to, the following services:

#### **Fiduciary Consulting Services**

H&A provides the following Fiduciary Retirement Plan Consulting Services:

- **Qualified Plan Development.** H&A will assist you with the establishment of a qualified plan by working with you and a selected Third-Party Administrator. If you have not already selected a Third-Party Administrator, we shall assist you with the review and selection of a Third-Party Administrator for the Plan.
- **Investment Policy Statement.** H&A will help you develop an investment policy statement. The investment policy statement establishes the investment policies and objectives for the Plan. You will have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.

- Investment Selection Services. H&A will provide you with recommendations for investment options within your plan.
- Due Diligence Review. Upon request, H&A will provide you with periodic due diligence reviews of the Plan, the Plan's fees and expenses, and the Plan's portfolio managers.
- Investment Monitoring. H&A will assist in monitoring investment options, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and H&A will make recommendations to maintain or remove and replace investment options.
- Participant Advice. Upon request, H&A will provide one-on-one advice to Plan participants.
- Fiduciary File Set-up. H&A will help you establish a "fiduciary file" for the Plan which contains trust documents, custodial/brokerage statements, services agreements with investment management vendors, the investment policy statement, investment committee minutes, asset allocation/asset liability studies, due diligence fields on funds/money managers and monitoring procedures for funds and/or money managers.

#### Non-Fiduciary Services

H&A provides clients with the following Non-Fiduciary Retirement Plan Consulting Services:

- Participant Educational Presentations. H&A will provide educational presentations for Plan participants. Presentations to Plan participants are informational in nature and intended to provide an overview of the Plan and the Plan's investment selections. Educational presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon.
- Participant Enrollment. H&A will assist you with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.

The exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Consulting Agreement.

In the event a client contracts with H&A to provide one-on-one consulting services to plan participants, such services are consultative in nature and do not involve H&A implementing recommendations in individual participant accounts. It will be the responsibility of each participant to implement changes in the participant's individual accounts.

We may also meet with individual participants to discuss their specific investment risk tolerance, investment time frame and investment selections. For clients with self-directed 401K Plan Accounts all recommendations of investment options and portfolios will be submitted to the client for the client's ultimate approval or rejection. Therefore, it is always the client's responsibility to accept investment recommendations of H&A and then physically make changes to the client's account.

### **Participation in Wrap Fee Programs**

We offer asset management services through both wrap fee programs and non-wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. Whenever a fee is charged to a client for services described in this brochure (whether wrap fee or non-wrap fee), we will receive all or a portion of the fee charged.

### **Assets Under Management**

We manage and administer approximately \$454,071,735 as of December 31, 2022. Of this total, \$357,370,175 managed by Hapanowicz & Associates Financial Services, Inc. on a discretionary basis, and \$96,701,560 are Qualified Retirement Plans managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provided in *Item 4 – Advisory Business*, this section provides details regarding our services along with descriptions of each service's fees and compensation arrangements.

Immediate family members of Hapanowicz & Associates Financial Services, Inc.'s associated persons may be offered a discounted fee. On occasion and at our complete discretion, discounts may be offered to other clients as well.

### **Financial Planning**

The fees for these services are generally based on the time required to perform the services and are billed at a rate based upon the complexity of the client's financial plan, subject to increases or decreased upon further review. Hapanowicz & Associates Financial Services, Inc. also offers consultation services on any topic of interest to the client. Consultation services can include general non-securities advice on topics such as tax planning, estate planning and business planning. The fees for these financial services are also included in the rate described above. Hapanowicz & Associates does not provide legal or tax advice, however we do work well with your tax and legal advisors.

An estimate of the time required will be made before work begins, and a maximum fee will be indicated on the advisory agreement signed by the client. Fees for the above services are due and payable within 30 days after the services are performed.

Financial planning services automatically terminate upon presentation of the plan to the client or upon completion of the consultation. Either party can also terminate the advisory agreement before then by providing written notice to the other party. Termination will be effective upon receipt of notice. If terminated within five business days of signing the advisory agreement, services are terminated without penalty. If the agreement is terminated after five business days but prior to completion of services, at the option of Hapanowicz & Associates Financial Services, Inc.'s associated persons, clients may be responsible for the time expended and expenses disbursed prior to receipt of the termination notice. In this case, Hapanowicz & Associates Financial Services, Inc. will provide clients with a statement detailing the time and expenses due.

### ***Other Fee Terms for Financial Planning & Consulting Services***

You may pay the investment advisory fees owed for the financial planning services by submitting payment directly (for example, by check) or having the fee deducted from an existing investment account.

If you elect to pay by automatic deduction from an existing investment account, you will provide written authorization to Hapanowicz & Associates Financial Services for such charge.

You should notify Hapanowicz & Associates Financial Services within ten (10) days of receipt of an invoice if you have questions about or dispute any billing entry.

As a part of our Financial Planning and Financial Consulting Services Hapanowicz & Associates has entered into agreements with Accountants and Attorneys to provide support to our financial planning and consulting services. Hapanowicz & Associates will be responsible for the payment of the fees for the services of all professionals we engage and you will not be required to reimburse us for such payments. Clients may decide to engage the Accountant or Attorney utilized by Hapanowicz & Associates separate from our planning or consulting services. In these instances, you will be responsible for the payment of the fees for the services of these professionals.

### **Hapanowicz and Associates SWIM (Strategic Wealth Investment Management) Program**

The annual investment advisory fee charged shall vary up to 2.0% of the assets held in the account and is determined by the market value of the account, asset types, the client's financial situation and trading activity, and is negotiable with the client. The annual fee shall be divided and payable quarterly in advance through a direct debit in the client account. LPL Financial is responsible for calculating and debiting all fees from client accounts. Clients must provide LPL Financial written authorization to debit advisory fees from their accounts and pay such fees to Hapanowicz & Associates. Fees are based on the account's asset value as of the last business day of the prior calendar quarter. Fees for accounts opened at any time other than the beginning of a quarter will be prorated based on the number of days remaining in the initial quarter. Advisory fees for the current calendar quarter are based on the Account's asset value as of the last business day of the prior calendar quarter. For billing purposes, the market value used by Advisor in calculating the quarterly advisory fee will vary from the market value reported in the account statements sent by LPL due to the timing differences associated with the receipt of dividends and interest. Fees for Accounts opened at any time other than the beginning of a quarter will be based on the value of assets when the Account is opened and will be prorated based on the number of days remaining in the initial quarter. In addition, any additions to or withdrawals from the Account during the quarter will be prorated, based on the number of days remaining in the quarter, for the purpose of calculating the advisory fee. The minimum household account size is \$1,000,000 with the exception of \$300,000 for family members of existing clients. Exceptions to these minimums may be granted at the discretion of the firm.

Clients may open a H&A SWIM1 or SWIM2 account. In a H&A SWIM1 account, in addition to the investment advisory fee, the client will pay certain transaction charges to defray the costs associated with trade execution. These costs are set out in the LPL Strategic Wealth Management platform brokerage account and application agreement. In the H&A SWIM2 account, the client does not pay transaction charges associated with trade execution. However, the total advisory fee charged by the firm for SWIM2 accounts is higher than the advisory fee charged for H&A SWIM1 accounts. Higher fees for H&A SWIM2 accounts are charged by Hapanowicz & Associates to help absorb the transaction costs.



Clients may incur certain charges imposed by third parties other than Hapanowicz & Associates in connection with investments made through the account, including but not limited to, 12b-1 fees and surrender charges and IRA and qualified retirement plan fees. Management fees charged by Hapanowicz & Associates (which include transaction and execution fees charged by LPL Financial for H&A SWIM2 accounts) are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus. H&A and our investment advisor representatives **will not** receive any portion of the 12b-1 fees or other commissions charged to the client. However, such commissions will be retained by LPL Financial. These commissions may include 12b-1 fees, surrender charges, and IRA and qualified retirement plan fees.

**H&A SWIM1 / SWIM2** accounts may cost the client more or less than if the assets were held in a traditional brokerage account. In a brokerage account, the client is charged commissions for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold investment strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a brokerage account rather than a H&A SWIM1 or SWIM2 account.

Either party may terminate the agreement for services at any time. If services are terminated within five (5) business days of executing the agreement, services will be terminated without penalty and a full refund of all fees paid in advance will be provided. If services are terminated after the initial five-day period, Hapanowicz & Associates shall provide the client with a pro-rated refund of fees paid in advance. The refund will be based on the number of days service was actually provided during the final billing period. Termination shall be effective from the time the other party receives written notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress and the final refund of advisory fees. There will be no penalty charge upon termination.

### **Retirement Plan Consulting Services**

For retirement plan sponsors, the Plan will be charged an annual fee of up to 1% of the amount of Plan assets. This fee is negotiable based upon the complexity of the plan, the size of the plan assets, the actual services requested, the representative providing the services and the potential for additional deposits.

For individual participants, we will also charge an annual fee of up to 1% of the participant's account value. Fees are negotiable based upon the actual services requested and the complexity of the participant's situation.

For retirement plan sponsors and participants, fees may be billed in advance (at the start of the billing period) or in arrears. Fees will be billed on a quarterly calendar basis and will be calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. Retirement plan sponsors may also elect to pay all or a portion of fees for the individualized services provided by us to the plan participants.

Fees will be directly deducted from clients' accounts. Clients are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to H&A. We will provide the custodian with a fee notification statement.

Either party may terminate services by providing written notice of termination to the other party. If services are terminated within five business days of signing the client agreement, services are terminated without penalty. Any prepaid but unearned fees are promptly refunded to the client at the effective date of termination.

H&A does not reasonably expect to receive any other compensation, direct or indirect, for its Services. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

**Vanguard** - Hapanowicz & Associates has entered into an agreement with Vanguard, Inc. to utilize their Vanguard Retirement Plan Access 401(K) platform. Through this platform, Hapanowicz & Associates' clients may contract for 401K plan record keeping and reporting services and incur a fee as described in the Vanguard Retirement Plan Recordkeeping Services Agreement. Hapanowicz & Associates will not receive any portion of the recordkeeping fees charged to the client. The fees charged by Vanguard may be more or less than fees charged by other vendors providing similar services.

**Empower Retirement** – Hapanowicz & Associates has entered into an agreement with Empower Retirement to utilize their Empower Retirement Recordkeeping platform. Through this platform, Hapanowicz & Associates' clients may contract for 401(k) plan recordkeeping and reporting services and incur a fee as described in the Empower Retirement Service Agreement Contract. Hapanowicz & Associates will not receive any portion of the recordkeeping fees charged to the client. The fees charged by Empower Retirement may be more or less than fees charged by other vendors providing similar services.

**ADP** – Hapanowicz & Associates has entered into an agreement with ADP to utilize their ADP Open Fund Architecture platform. Through this platform, Hapanowicz & Associates' clients may contract for 401(k) plan recordkeeping and reporting services and incur a fee as described in the ADP Compensation and Fee Disclosure Agreement. Hapanowicz & Associates will not receive any portion of the recordkeeping fees charged to the client. The fees charged by ADP may be more or less than fees charged by other vendors providing similar services.

#### **Compensation for the Sale of Securities or Other Investment Products**

As briefly disclosed in *Item 4 – Advisory Business*, our advisor representatives can sell securities in their separate capacities as registered representatives of LPL Financial. In addition, they may sell insurance products in their capacities as independent insurance agents for sales commissions. All fees paid to Hapanowicz & Associates Financial Services for services are separate and distinct from the commissions, fees and expenses charged by insurance companies associated with any disability insurance, life insurance and annuities subsequently acquired by you. If you sell or liquidate certain existing securities positions to acquire any insurance or annuity, you may also pay a commission and/or deferred sales charges in addition to the financial planning and consulting fees paid to Hapanowicz & Associates Financial Services and any commissions, fees and expenses charged by the insurance company for subsequently acquired insurance and/or annuities.

Some of the advice offered by our advisor representatives may involve investments in mutual fund products. Load and no-load mutual funds may pay annual distribution charges sometimes referred to as 12b-1 fees. However, our advisor representatives do not receive any portion of the 12b-1 fees paid and other compensation such as commissions, loads, trails, etc. when holding mutual funds in managed

accounts. Because we only receive advisory fees charged to clients, there is not an incentive for us to recommend investment products paying commissions and other fees on mutual funds. Therefore, we primarily recommend no-load mutual funds and mutual funds priced at net-asset-value.

When administering non-advisory, non-fee based accounts through LPL Financial, our advisor representatives acting in their separate capacities as Registered Representatives of LPL Financial, LLC will receive normal and customary commissions. This will include a portion of 12b-1 fees, trailer fees, and loads from some investment companies. Clients should be aware that these 12b-1 fees come from fund assets, and thus, indirectly from client's assets. The receipt of these fees represents an incentive for registered representatives to recommend funds with 12b-1 fees or higher 12b-1 fees over funds with no fees or lower fees. H&A and our investment advisor representatives **will not** receive any portion of the 12b-1 fees or other commissions charged to the client on assets held in investment advisory accounts.

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

This item is not applicable as Hapanowicz & Associates Financial Services, Inc. does not charge or accept performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets held within a client's account).

### **Item 7 – Types of Clients**

Hapanowicz & Associates Financial Services, Inc. generally provides investment advice to the following types of clients:

- Individuals
- High Net Worth Individuals
- Pension and profit-sharing plans
- Trusts, family partnerships, estates and charitable organizations
- Corporations and business entities other than those listed above

### **Minimum Investment Amount Guidelines**

- Hapanowicz & Associates Financial Services, Inc. recommends a minimum investment amount of \$1,000,000 for establishing and maintaining a H&A SWIM Account. Under certain circumstances, accounts below \$1,000,000 will be considered and may be accepted at the sole discretion of Hapanowicz & Associates Inc.

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

Hapanowicz & Associates Financial Services, Inc. evaluates the potential benefits and risks inherent within investment categories. Investment characteristics are then matched to the client's needs and preferences to determine an appropriate mix of investment vehicles. Investments and mutual funds within a particular investment category are selected. Analysis is focused on risk parameters that relate that to the risk tolerance of each individual client. We look at volatility of portfolios, relative historic performance, and consistency over multiple market cycles.

**Hapanowicz & Associates may use the following methods of analysis in formulating investment advice:**

**Charting** - The set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

**Fundamental** - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

**Cyclical** - Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

**Technical** - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

**Hapanowicz & Associates Financial Services, Inc. uses the following investment strategies when managing client assets and/or providing investment advice.**

Investment strategies are designed to satisfy a hierarchy of client goals and objectives. First, a client's needs of short term cash flow and liquidity are considered. Appropriate investment vehicles and a cash reserve are recommended. Second, long term growth needs combined with needs for continuing liquidity are examined. Investments are selected which appear attractive for long term growth and are readily convertible to cash should circumstances warrant. Once these first two needs are satisfied, emphasis is placed on long-term investments which may or may not be liquid and which may provide tax reduction benefits.

Model mutual fund asset allocation portfolio programs, provided by a number of institutional investment managers and strategist, may be used when managing client assets.

The following are some of the general strategies that may be used when managing accounts.

- ✓ **Long term purchases.** Investments held at least a year.
- ✓ **Short term purchases.** Investments sold within a year.

**Tactical asset allocation.** Allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

**Strategic asset allocation.** Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client’s goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

Hapanowicz & Associates’ primary strategy is a blend of strategic and tactical. Some of the risks involved with using this method include short term volatility to achieve longer term goals.

Hapanowicz & Associates’ primary strategy may involve the frequent trading of securities. The frequent trading of securities may have a positive or negative impact on investment performance. Performance from active trading can be lowered due to an increase in brokerage and other transaction costs.

Clients should understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- **Equity (stock) market risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk**. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate

diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- Exchange Traded Fund (ETF) and Mutual Fund Risk – When Hapanowicz & Associates Financial Services, Inc. invests in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- Management Risk – The value of your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

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

This item is not applicable because there are no legal or disciplinary events that would be considered material to your evaluation of Hapanowicz & Associates' business or integrity.

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

Hapanowicz & Associates is an independent investment advisory firm and only provides investment advisory services. The firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure.

While Hapanowicz & Associates does not sell products or services other than investment advice, our investment advisor representatives may sell other products or provide services outside of their role with Hapanowicz & Associates. Our investment advisor representatives concentrate the majority of their efforts toward sales of investments and investment advisory services.

### **Arrangement with LPL Financial**

At your discretion, you may engage the investment advisor representatives of H&A in their separate capacities as registered representatives of LPL, to render securities brokerage services under a commission arrangement. Brokerage commissions may be charged by LPL to effect these securities transactions and, thereafter, a portion of these commissions will be paid by LPL to such investment advisor representatives as registered representatives of LPL. Prior to effecting any transactions, the client will be required to enter into a new account agreement with LPL. The brokerage commissions charged by LPL may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. H&A and our investment advisor representatives will not receive any transaction base compensation or 12b-1 fees on assets held in investment advisory accounts.

Depending on the type of LPL account that could be used to implement a financial plan or investment strategy, such compensation may include (but is not limited to) advisory program fees; commissions; mark-ups and mark-downs; transaction charges; confirmation charges; small account fees; mutual fund 12b-1 fees; mutual fund sub-transfer agency fees; hedge fund managed futures, and variable annuity investor servicing fees; retirement plan fees; fees in connection with LPL's insured deposit account program; administrative services fees for trust accounts; referral fees; compensation for directing order flow; and bonuses, awards or other things of value offered by LPL to the Investment Adviser Representative (IAR).

This compensation to IAR and LPL may be more or less depending on the product or service that IAR recommends. Therefore, the IAR may have a financial incentive to recommend that a financial plan be implemented using a certain product or services.

The investment advisor representatives of Hapanowicz & Associates may recommend securities or insurance products offered by LPL (or other insurance firms) and will receive the normal commissions if products are purchased through them; thus, a conflict of interest exists between their interests and those of Hapanowicz & Associates' clients. Clients are under no obligation to purchase products recommended by investment advisor representatives or to purchase products either through Hapanowicz & Associates or LPL.

As a result of the LPL relationship, LPL will have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about Hapanowicz & Associates' clients, even if the client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact Hapanowicz & Associates.

### **Insurance Sales Activities**

Some investment advisor representatives are licensed to provide insurance services to clients. Insurance products are provided to clients for personal, estate and business need to minimize clients' exposure to identified risks. Although clients are under no obligation to purchase insurance products recommended by investment advisor representative in their separate capacities and insurance agents, clients often purchase such products when needs arise. When clients of Hapanowicz & Associates purchase products generating commissions, these are paid to the investment advisor representatives in their separate capacities as insurance agents.

You are never obligated or required to purchase insurance products through one of our advisor representatives licensed as insurance agents. However, when acting as an insurance agent, our advisor representatives can help you purchase insurance products and will receive separate compensation (i.e. insurance commissions) in addition to investment advisory fees charged by Hapanowicz & Associates. Clients that choose to purchase insurance products through one of our advisor representatives should be aware they will generally only recommend insurance products of those companies for whom they are sales agents and with which they are familiar with the benefits, exclusions and other terms.

Because our advisor representatives will receive commissions for selling insurance products, there is a conflict of interest in that they may recommend policies to clients that do not require or need insurance. To control for this conflict of interest and to be consistent with our firm's fiduciary duty, our advisor representatives strive to recommend insurance products only to those clients who need new or additional insurance coverage.

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

### **Code of Ethics Summary**

We have established a Code of Ethics which all supervised persons must read and then execute an acknowledgment agreeing that they understand and agree to comply with its terms. Our fiduciary duty to clients is considered the core underlying principle for the Code of Ethics and represents the expected basis for all supervised persons dealings with clients. We have the responsibility to make sure that the interests of clients are placed ahead of our own investment interests.

All supervised persons will conduct business in an honest, ethical and fair manner. All supervised persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and conflicts of interest will be provided to clients prior to services being conducted. All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the associated persons' duty of complete loyalty to their clients.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

We may buy or sell investments or have an interest or position in an investment for our personal accounts which are also recommended to clients. As these situations may represent a conflict of interest, we have implemented the following policies.

- Associated persons cannot prefer their own interests to that of advisory clients.
- No person employed by our firm may purchase or sell any security prior to a transaction or transactions being implemented for an advisory account.
- Associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment, unless the information is also available to the investing public upon reasonable inquiry.
- Investments we recommend to clients generally include mutual funds, ETFs, and other investments that are publicly traded and widely available therefore limiting the risk for manipulation.



## Item 12 – Brokerage Practices

Clients wishing to implement Hapanowicz & Associates' advice are free to select any broker they wish and are so informed. If clients wish to have Hapanowicz & Associates investment advisor representatives implement the advice in their capacity as registered representative, LPL will be used.

### **Brokerage Recommendations**

If we assist you in the implementation of any recommendations, typically LPL Financial will be used as the broker/dealer for your account. Hapanowicz & Associates is independently owned and operated and not affiliated with LPL Financial.

Although we do not receive client referrals from LPL, investment advisor representatives of Hapanowicz & Associates are registered representatives of LPL and are required to use the services of LPL when acting in their capacity as registered representatives. LPL has a wide range of approved securities products for which LPL performs due diligence prior to selection. LPL's registered representatives are required to adhere to these products when implementing securities transactions through LPL. Commissions charged for these products may be higher or lower than commissions clients may be able to obtain if transactions were implemented through another broker/dealer. Because the investment advisor representatives of Hapanowicz & Associates are also registered representatives of LPL, LPL provides compliance support to Hapanowicz & Associates' supervised persons. In addition to compliance support, LPL also provides the supervised persons of the firm, and therefore the firm, with back-office operational, technology, and other administrative support.

If clients wish to implement the advice of Hapanowicz & Associates, LPL will be used as the broker/dealer and/or custodian. LPL will be the primary broker/dealer and custodian recommended due to the firm's relationship with LPL. Hapanowicz & Associates recommends broker/dealers and custodians that Hapanowicz & Associates feels will provide services in a manner and at a cost that will allow the firm to meet its duty of best execution. However, Hapanowicz & Associates may be limited in the broker/dealer or custodians that it is allowed to use due to the firm's relationship with LPL. LPL may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

While there is no direct linkage between the investment advice given to clients and Hapanowicz & Associates' recommendation of LPL, economic benefits may be provided by LPL to the firm that will not be provided if the client selects another broker/dealer or account custodian. These benefits may include: negotiated costs for transaction implementation, a dedicated trade desk that services LPL participants exclusively, a dedicated service group and an account services manager dedicated to the firm's accounts, access to a real-time order matching system, electronic download of trades, balances and position information, access, for a fee, to an electronic interface with the account custodian's software, duplicate and batched client statements and confirmations.

Our trading policy is to implement all client orders on an individual basis. From time to time, we do aggregate or "block" client transactions. Considering the types of investments we hold in advisory client accounts, we do not believe clients are hindered in any way because we trade accounts individually. This is because we develop individualized investment strategies for clients and holdings will vary. Further, the investments we are responsible for trading in client accounts are typically limited to mutual funds, ETFs, and other broadly traded positions. Our strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy.

### **Item 13 – Review of Accounts**

Portfolio performance is reviewed weekly by our Investment Committee, that includes a team of credentialed and experienced professionals.

You will receive monthly statements from the account custodian or clearing firm, if your account(s) have activity during the month. If the account does not have any monthly activity, an account statement is provided by the account custodian or clearing firm at least quarterly. Such statements will show any activity in the account, as well as period ending position balances. You will also receive a confirmation from the custodian or clearing firm of each purchase and sale transaction that occurs within H&A SWIM accounts.

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

Upon client request, H&A may provide one or more professional referrals (i.e. attorneys, CPAs etc.). Referrals will be carefully considered to align with each client's needs and objectives.

#### **Insurance Referral Relationships:**

In addition to the direct receipt of insurance related commissions discussed in **Item 10 – Other Financial Industry Activities and Affiliations** H&A can receive referral fees (in the form of a portion of the insurance commission) for recommending that our clients utilize a particular Insurance Agency. Clients are always free to use any insurance agency they choose. Although H&A always endeavors to put the interest of its clients ahead of its own or those of its officers, directors, or representatives ("affiliated persons"), these arrangements could affect the judgment of the firm when recommending products. These situations present a conflict of interest that may affect the judgment of H&A and our associated persons.

In addition, we may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

According to this definition, Hapanowicz & Associates does not have custody of client funds or securities. It should be noted that our firm does have limited discretionary authority to transfer funds between a client's accounts with similar registrations held with a qualified custodian and may send funds to the client's address of record if requested by the client.

Although the firm does not have custody, Hapanowicz & Associates has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian (e.g. National Financial Services or SEI Trust) to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against any information received directly from Hapanowicz & Associates. When clients have questions about their account statements, they should contact Hapanowicz & Associates or the qualified custodian preparing the statement.

### **Item 16 – Investment Discretion**

Upon receiving written authorization from the client, Hapanowicz & Associates may implement trades on a discretionary basis (as detailed in our agreement for services). When discretionary authority is granted, Hapanowicz & Associates will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client's portfolio without obtaining the client's consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

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

Clients are given the option to vote proxies themselves or have Hapanowicz & Associates vote proxies on their behalf. If granted this authority, we will act in the best interest of shareholders when voting proxies.

With respect to assets managed by a third-party money manager, we will not vote the proxies associated with these assets. Please refer to each third-party money manager's disclosure brochure to determine whether the third-party money manager will vote proxies on your behalf. You may request a complete copy of third-party money manager's proxy voting policies and procedures as well as information on how your proxies were voted by contacting the third-party money manager or by contacting Hapanowicz & Associates at the address or phone number indicated on Page 1 of this disclosure document.

## **Item 18 – Financial Information**

This item is not applicable to this brochure. Hapanowicz & Associates Financial Services, Inc. is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, Hapanowicz & Associates Financial Services, Inc. has not been the subject of a bankruptcy petition at any time.

## **Business Continuity Plan**

Hapanowicz & Associates has a Business Continuity and Disaster Recovery Plan in order to provide guidance regarding the steps and actions that should be taken in the event of an unanticipated interruption of normal business operations. Hapanowicz & Associates has written this Plan anticipating two kinds of SBDs: internal and external. Internal SBDs affect our ability to communicate and do business, for example, a fire in our building. External SBDs prevent the operation of the securities markets or a number of firms. Examples of an external SBD include terrorist attacks, a city flood, or a wide-scale, regional disruption. Our response to an external SBD relies more heavily on other organizations and systems, especially on the capabilities of any clearing firms or outside investment advisor firms with which we have established a relationship.

This plan will help us to safeguard employees' lives and firm property, to allow us a method of making financial and operational assessments, to recover and resume business operations in a rapid and efficient manner, to protect our firm's books and records, to continue to allow our clients to transact business at all times and to provide our clients with access to their funds and securities in the event we determine that we cannot continue to do business.

The plan includes the following:

- Business Description
- Office Locations
- Customers' Access to Funds and Securities
- Data Back-Up and Recovery (Hard Copy and Electronic)
- Financial and Operational Assessments
- Mission Critical Systems
- Alternate Communications Between the Firm and Customers, Employees, and Regulators
- Critical Business Constituents, Banks, and Counterparties
- Regulatory Reporting
- Details on the Firms' Succession Plan

Our Business Continuity and Disaster Recovery plan is reviewed and updated on a regular basis to ensure that the policies in place are sufficient and operational.

## **CUSTOMER PRIVACY NOTICE**

Hapanowicz & Associates is committed to safeguarding the confidential information of its clients. We hold all personal information provided by our clients in the strictest confidence. Our persons may also be registered representatives of LPL Financial, a registered broker/dealer that is not affiliated with the applicant. We also have relationships with other non-affiliated investment advisors, insurance companies, trust companies, custodians and other financial institution entities. Except as required or permitted by law, we do not share confidential information about clients with non-affiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of client confidential information, the applicant will provide written notice to its clients and clients will be given an opportunity to direct the applicant as to whether such disclosure is permissible.

### **AN IMPORTANT NOTICE CONCERNING CUSTOMERS' PRIVACY**

**CUSTOMER INFORMATION WE COLLECT.** We collect and develop personal information about clients and some of that information is nonpublic personal information (Customer Information). The essential purpose for collecting Customer Information is to provide and service the financial products and services clients obtain from our firm. The categories of Customer Information we collect depend upon the scope of the engagement with the client and are generally described below.

As an investment advisor, we collect and develop Customer Information about clients in order to provide investment advisory services. Customer Information we collect includes:

- ✓ Information received from clients on financial inventories through consultations. This Customer Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account and other records concerning clients' financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.
- ✓ Information developed as part of financial plans, analyses or investment advisory services.
- ✓ Information concerning investment advisory account transactions, such as wrap account transactions.
- ✓ Information about a client's financial products and services transactions with the applicant.

**DATA SECURITY.** Hapanowicz & Associates restricts access to Customer Information to those associated persons and employees who need the information to perform their job responsibilities. We maintain agreements, as well as physical, electronic and procedural securities measures that comply with federal regulations to safeguard Customer Information about clients.

**USE AND DISCLOSURE OF CUSTOMER INFORMATION TO PROVIDE CUSTOMER SERVICE FOR ACCOUNTS.** To administer, manage and service customer accounts, process transactions and provide related services for client accounts, it is necessary for us to provide access to Customer Information within the firm and to non-affiliated companies such as investment advisors, other broker/dealers, trust

companies, custodians and insurance companies. Hapanowicz & Associates may also provide Customer Information outside of the firm as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

**FORMER CLIENTS.** When clients close an account with Hapanowicz & Associates, it will continue to operate in accordance with the principles stated in the Notice.

**REQUIREMENTS OF FEDERAL LAW.** In November of 1999, Congress enacted the *Gramm-Leach-Bliley Act* (GLBA). The GLBA requires certain financial institutions, including broker-dealers and investment advisors, to protect the privacy of Customer Information. To the extent a financial institution discloses Customer Information to non-affiliated third parties, other than as permitted or required by law, customers must be given the opportunity and means to opt out (or prevent) such disclosure. Please note that that the applicant does not disclose Customer Information to non-affiliated third parties, except as permitted or required by law (e. g., disclosures to service a client's account or to respond to subpoenas).