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Part 2A of Form ADV The Brochure

Updated: October 16, 2023

This brochure provides information about the qualifications and business practices of Hopwood Financial Services, Inc. (“HFS” or “Advisor”). If you have any questions about the contents of this brochure, please contact us at 703-787-0008 or by e-mail at [herb@hopwoodfinancial.com](mailto:herb@hopwoodfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

## Material Changes

This section describes the material changes to this Form ADV Part 2A, Brochure since Hopwood Financial Services, Inc.'s (as also referred to as "Hopwood Financial," "HFS," or "Registrant") last Annual Amendment filing on March 29, 2022.

There have been no material changes made to this Part 2A Brochure.

**Hopwood Financial's Chief Compliance Officer, Herbert G. Hopwood, remains available to address any questions regarding this Part 2A, including the disclosure additions and enhancements.**

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## **Advisory Business**

Hopwood Financial Services was founded in 2003 and is principally owned by Herbert G. Hopwood.

Hopwood Financial Services provides customized investment management and financial planning services primarily to high-net-worth individuals and associated trusts, estates, IRAs, pension and profit sharing plans, and other legal entities. Hopwood Financial generally invests client assets in domestic and international stocks, bonds, mutual funds, and exchange traded funds (“ETFs”).

### **Investment Advisory Services**

Hopwood Financial Services (“HFS”) provides discretionary investment advisory services on a fee-only basis. HFS’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the firm’s management. HFS provides investment advisory services specific to the needs of each client. HFS works with each client to establish an appropriate investment profile. Clients choose from various allocations of equities, fixed income and cash, and can impose reasonable restrictions on HFS’s management of their accounts which are mutually agreed upon in advance. Thereafter, HFS will allocate investment assets consistent with the designated investment objectives. Once allocated, HFS provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

### **Personal Financial Planning and Consulting Services**

Hopwood Financial Services may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging HFS to provide planning or consulting services, clients are required to enter into an agreement with HFS setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to HFS commencing services.

If requested by the client, HFS may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from HFS.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not HFS, shall be responsible for the quality and competency of the services provided.

It remains the client’s responsibility to promptly notify HFS if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising HFS’s previous recommendations and/or services.

### **Retirement Consulting Services**

Hopwood Financial Services may also be engaged to provide discretionary pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, HFS shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in an agreement between Hopwood Financial Services and the plan sponsor.

### **Additional Disclosures**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, HFS may provide financial planning and related consulting services. Neither HFS nor its investment adviser representatives assist clients with the implementation of any financial plan, unless they have agreed to do so in writing. HFS does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with Hopwood Financial, if desired.

HFS may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. HFS does not serve as a law firm, accounting firm, or insurance agency, and no portion of Hopwood Financial Services' services should be construed as legal, accounting, or insurance implementation services. Accordingly, HFS does not prepare estate planning documents, tax returns or sell insurance products.

To the extent requested by a client, HFS may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by HFS or its representatives.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e., attorney, accountant, insurance agent, etc.), and not HFS, shall be responsible for the quality and competency of the services provided.

**Retirement Rollovers-Potential for Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Hopwood Financial recommends that a client roll over their retirement plan assets into an account to be managed by Hopwood Financial, such a recommendation creates a conflict of interest if Hopwood Financial will earn new (or increase its current) compensation as a result of the rollover. If Hopwood Financial provides a recommendation as to whether a client should engage in a rollover or not, Hopwood Financial is

acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over retirement plan assets to an account managed by Hopwood Financial.

**Cash Positions.** Hopwood Financial continues to treat cash as an asset class. As such, unless determined to the contrary by Hopwood Financial, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Hopwood Financial's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Hopwood Financial may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Hopwood Financial's advisory fee could exceed the interest paid by the client's money market fund.

**Cash Sweep Accounts.** Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. To help mitigate this issue, Registrant generally purchases a higher yielding money market fund available on the custodian's platform with cash proceeds or deposits, unless Registrant reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

**Use of Mutual and Exchange Traded Funds.** Most mutual funds and exchange traded funds are available directly to the public. Therefore, a prospective client can obtain many of the funds that may be utilized by HFS independent of engaging HFS as an investment advisor. However, if a prospective client determines to do so, he/she will not receive HFS's initial and ongoing investment advisory services.

In addition to HFS's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Third-Party Managers.** HFS may allocate a portion of a client's investment assets among unaffiliated Third-Party Managers ("Independent Manager(s)") in accordance with the client's designated investment objective(s). In such situations, the Independent Manager(s) will have day-to-day responsibility for the active discretionary management of the allocated assets. HFS will continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation, and client investment objectives. HFS generally considers the following factors when recommending Independent Manager(s): the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Manager(s) are exclusive of, and in addition to, HFS's ongoing investment advisory fee. Independent Managers shall debit their fees directly from client accounts.

The Independent Manager's fee shall be communicated to the client upon their engagement and any increase or changes regarding the Independent Managers billing practices shall be subsequently communicated to the client. HFS's advisory fee is set forth in the fee schedule below.

**Socially Responsible Investing Limitations.** Socially Responsible Investing involves the incorporation of Environmental, Social and Governance considerations into the investment due diligence process ("ESG"). There are potential limitations associated with allocating a portion of an investment portfolio in ESG securities (i.e., securities that have a mandate to avoid, when possible, investments in such products as alcohol, tobacco, firearms, oil drilling, gambling, etc.). The number of these securities may be limited when compared to those that do not maintain such a mandate. ESG securities could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange traded funds are few when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by HFS), there can be no assurance that investment in ESG securities or funds will be profitable, or prove successful. The Registrant does not maintain or advocate an ESG investment strategy, but will seek to employ ESG if directed by a client to do so.

**Portfolio Activity.** HFS has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, HFS will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, and/or a change in the client's investment objectives. Based upon these factors, there may be extended periods of time when HFS determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described below during periods of account inactivity.

**ByAllAccounts and Envestnet®|Yodlee®.** HFS, in conjunction with the services provided by ByAllAccounts, Inc. and Envestnet®|Yodlee®, may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by HFS (the "Excluded Assets"). The client and/or their other advisors that maintain trading authority, and not HFS, shall be exclusively responsible for the investment performance of the Excluded Assets. Unless otherwise specifically agreed to, in writing, HFS's service relative to the Excluded Assets is limited to reporting only. The sole exception to the above shall be if HFS is specifically engaged to monitor and/or allocate the assets within the client's 401(k) account maintained away at the custodian directed by the client's employer. As such, except with respect to the client's 401(k) account (if applicable), HFS does not maintain any trading authority for the Excluded Assets. Rather, the client and/or the client's designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets. If HFS is asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and HFS shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that HFS provide investment management services for the Excluded Assets, the client may engage HFS to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between HFS and the client.

**Client Obligations.** In performing its services, HFS shall not be required to verify any information received from the client or from the client's other designated professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify HFS if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising

HFS's previous recommendations and/or services.

**Cybersecurity Risk.** The information technology systems and networks that Registrant and its third-party service providers use to provide services to Registrant's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Registrant's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Registrant are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Registrant has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Registrant does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions

**Disclosure Statement.** A copy of Hopwood Financial Services' written disclosure statement and client relationship summary, as set forth on Part 2 of Form ADV and Form CRS respectively, shall be provided to each client prior to, or contemporaneously with, the execution of an advisory agreement.

As of December 31, 2022, Hopwood Financial managed \$486,260,899 on a discretionary basis on behalf of approximately 245 client households.

## **Fees and Compensation**

### **Investment Management**

Hopwood Financial's current fee schedule for new clients for investment management services is based on the following schedule:

<u>Assets under management</u>	<u>Annual Fee</u>
First \$1 million	1.00%
Amounts in excess of \$1 million & up to \$4 million	0.75%
Amounts in excess of \$4 million & up to \$7 million	0.50%
Amounts in excess of \$7 million & up to \$10 million	0.40%
Amounts in excess of \$10 million	0.30%

This is a **tiered** fee schedule which means that the actual fee is charged on each amount at the respective rate and is only reduced for the amount **above** that threshold.

## Hopwood Financial Institutional Bond Program

In conjunction with HFS's Investment Management Services, HFS may allocate a portion of a client's investment assets among unaffiliated Independent Managers as part of HFS's Institutional Bond Program. Client assets managed through the Institutional Bond Program will be subject to an additional annual fee of up to 0.12%, paid to the Independent Manager. Institutional Bond Program accounts are subject to a minimum asset level of \$100,000. Clients who do not wish to participate in HFS's Institutional Bond Program may direct HFS, in writing, accordingly.

Hopwood Financial Services generally charges fees **quarterly** in arrears (for the quarter most recently ended) based on the account/relationship value (total assets of a relationship residing in the same residence) at the end of the quarter, including any accrued interest. However, fees on assets managed through the Institutional Bond Program are charged **quarterly** in advance (for the quarter immediately following) based upon the account value (total assets managed through the Institutional Bond Program) at the beginning of the quarter.

Investment management services begin when assets begin to fund the account. For the beginning calendar quarter, fees will be adjusted pro-rata based upon the number of calendar days in the calendar quarter that the agreement was effective. Most clients authorize Hopwood Financial to deduct fees automatically from their brokerage accounts, but clients may request that HFS send quarterly invoices to be paid by check. In either case, a copy of the bill is provided to each client stating the amount that was charged and how the fee was calculated.

HFS reserves the right to charge a new account processing fee of up to \$350 to defray the cost of transfers, paperwork and the monitoring of transfers from existing accounts. Calculation of distributions, issuance of checks, special reports and other services, which are not routine investment management services, may be billed on an hourly basis at the then prevailing rates (current maximum of \$250/hour). All fees are to be billed and are due after services are rendered.

HFS has waived or negotiated lower fees for certain clients such as charitable organizations, employees' family members or special circumstances. In accordance with the foregoing, HFS's investment advisory fee is negotiable at HFS's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with HFS and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by HFS to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

Either the client or the Advisor may terminate the agreement at any time. The client is responsible to pay for services rendered up until the termination of the Agreement. If a client terminates the Investment Management Agreement with Hopwood Financial in the middle of a billing period, HFS will invoice the client and deduct the applicable fee (unless notified otherwise) for an amount that is pro-rated based on the number of days that the account was managed during the quarter.



If a client contributes or withdraws \$50,000 or more in a given day, HFS will pro-rate the fees on this contribution or withdrawal for the quarter. Contributions and withdrawals of less than \$50,000 in a given day are not pro-rated.

Broker-dealers such as Charles Schwab & Co. Inc. (“Schwab”) and Fidelity Investments (“Fidelity”) charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including Schwab and Fidelity, generally (with the potential exception for large orders) do not currently charge fees on individual equity transactions (including ETFs), others do.

There can be no assurance that Schwab or Fidelity will not change their transaction fee pricing in the future.

Schwab and Fidelity may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically.

Clients will incur, in addition to Registrant’s investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

Relative to its discretionary investment management services, when beneficial to the client, transactions may be affected through broker-dealers other than the account custodian, in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a separate “tradeaway” and/or prime broker fee charged by the account custodian (i.e. Schwab or Fidelity).

### **Personal Financial Planning and Consulting Services**

Personal financial planning and consulting service fees are generally charged on an hourly basis. Hourly fees range from \$250 per hour for most financial planning services to \$100 per hour for purely administrative functions. Such fees shall be mutually agreed upon in advance by the client and Advisor and shall be due and payable when services are rendered.

A client may cancel the financial planning agreement and receive a full refund if Advisor is notified within five business days after signing an agreement. If cancellation occurs thereafter, the client is responsible only for fees and expenses incurred to that point. In such an event, an itemized invoice will be provided documenting the expenses that have been incurred.

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

Hopwood Financial Services, Inc. does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client. However, the nature of asset-based fees allows Hopwood Financial to participate in the growth of the client’s wealth. This also means that our fees can decline when the client’s portfolio declines in value.

## Types of Clients

Hopwood Financial generally provides customized investment management and financial planning services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans, and other legal entities. Hopwood Financial's minimum *relationship* size for Investment Management services is generally **\$750,000**, but this amount may be negotiable. There is no minimum asset size for Financial Planning services.

## Methods of Analysis, Investment Strategies and Risk of Loss

There is an Investment Committee currently comprised of Herbert G. Hopwood, CFP®, CFA, President; Kevin J. Galvin, CFP®, CFA, Director of Research and Portfolio Manager, and Lauren D. Smith, Support Advisor. Most individual stock and mutual fund securities are placed on Hopwood Financial's approved list after being reviewed and accepted by the Investment Committee. This analysis varies depending on the security in question. For stocks and bonds, the analysis generally includes a review of:

- The issuer's management;
- The amount and volatility of past profits or losses;
- The issuer's assets and liabilities, as well as any material changes from historical norms;
- Prospects for the issuer's industry, as well as the issuer's competitive position within that industry; and
- Any other factors considered relevant.

For mutual funds and ETFs, the analysis generally includes a review of:

- The fund's management team;
- The fund's historical risk and return characteristics;
- The fund's exposure to sectors and individual issuers;
- The fund's fee structure; and
- Any other factors considered relevant.

The Investment Committee meets regularly to discuss existing and prospective investments and the investment environment. Investments are evaluated independently, as well as in the context of clients' existing holdings and sector exposures.

Hopwood Financial strives to invest for relatively long time horizons, often for several years. However, market developments could cause us to reduce this holding period.

Depending on a client's investment objectives, HFS might engage in option writing (although not likely). The use of option writing poses additional risks that are discussed in detail with any clients who are considering the use of this investment vehicle.

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

Investors generally face the following types of investment risks:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
- *Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### **Borrowing Against Assets/Risks**

A client who has a need to borrow money could determine to do so by using:

- Margin-The account custodian or broker-dealer lends money to the client. The custodian charges the client interest for the right to borrow money, and uses the assets in the client's brokerage account as collateral; and,
- Pledged Assets Loan- In consideration for a lender (i.e., a bank, etc.) to make a loan to the client, the client pledges its investment assets held at the account custodian as collateral;

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the client's investment assets. The lender (i.e., custodian, bank, etc.) will have recourse against the client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Hopwood Financial does not recommend such borrowing unless it is for specific short-term purposes (i.e., a bridge loan to purchase a new residence). Hopwood Financial does not recommend such borrowing for investment purposes (i.e., to invest borrowed funds in the market). If the client was to determine to utilize margin or a pledged assets loan, Hopwood Financial would bill on the net value of the assets in the clients account. This could provide Hopwood Financial with a disincentive to encourage the client to consider or to continue to use margin.

### **Disciplinary Information**

Hopwood Financial and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

Hopwood Financial Services and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Hopwood Financial has adopted a written Code of Ethics that is applicable to all employees. Among other things, the code requires the firm and its employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Hopwood Financial's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. A copy of Hopwood Financial's Code of Ethics is available upon request.

The firm's employees are generally permitted to trade alongside client accounts as long as they receive the average price that is applicable to clients and pay their share of any transaction costs. However, no employees are allowed to participate in partially filled orders until all clients' orders have been filled. The Chief Compliance Officer monitors employee trading, relative to client trading, to ensure that employees do not engage in improper transactions.

The firm maintains a watch list of securities that are being considered for client accounts, as well as securities already held in client accounts. Any proposed employee transaction involving individual securities on the watch list requires pre-clearance from the Chief Compliance Officer. The Chief Compliance Officer does not grant pre-clearance where it would appear that an employee's trading could disadvantage Hopwood Financial's clients.

Under certain circumstances an employee might invest in a security that is not considered suitable for client accounts because of size, liquidity, or other factors. A change in these factors could result in the security becoming more suitable for clients, but the Chief Compliance Officer might not allow the security to be purchased for client accounts in order to avoid even the appearance of employees trading ahead of clients. In Hopwood Financial's experience, it is rare for an employee's personal trading to limit clients' investment opportunities, but such a situation may arise from time to time.

## **Brokerage Practices**

Hopwood Financial generally recommends that clients arrange for their assets to be held with either Schwab or Fidelity as custodian. HFS has managed client assets at both custodians for many years and has found them both to offer good services at competitive prices.

## **Research and Additional Benefits**

HFS receives certain products and services from both Schwab and Fidelity free of charge or at discounted rates.

These products and services include:

- The receipt of duplicate client confirmations, statements, and other account information;
- Direct advisory fee debiting capabilities;
- Access to an electronic network for order entry, including the simultaneous entry of trades on behalf of multiple client accounts;
- Portfolio management system/ software to support the management of client accounts.

Hopwood Financial does not believe that clients whose accounts are held by Schwab or Fidelity bear any additional costs in connection with our receipt of the products and services. Hopwood Financial Services does not receive any commissions or fees for any of our investment recommendations. Furthermore, each custodian's provision of these products and services is not contingent upon us formally committing any specific amount of business to them. However, Hopwood Financial would not receive some of these products and services if client accounts were not held in custody and traded by either custodian. Hopwood Financial's receipt of these products and services creates a conflict of interest in connection with our recommendation of each custodian. Also, some of the products and services listed above benefit clients whose accounts are held by other custodians, which could create a conflict of interest between the clients at the custodians, who are indirectly paying for the products and services, and the clients at other custodians who may benefit from the products and services.

#### The Selection of Trading Counterparties

Hopwood Financial can typically trade accounts held at Schwab and Fidelity using other broker/dealers. However, each custodian charges clients "trade-away" fees that HFS believes often outweigh any benefits from trading stocks, mutual funds or ETFs with other brokers. The availability and pricing of bonds varies more widely, so prior to placing a bond trade, HFS attempts to determine the competitiveness of the price (and yield) and then executes the trade with the dealer that offers sufficient liquidity and the most favorable pricing.

For clients who elect to have their accounts held by firms other than Schwab or Fidelity, Hopwood Financial's approach is often to trade stocks, mutual funds, and ETFs with the chosen custodian, and to trade bonds with the dealer that offers sufficient liquidity and the most favorable pricing (if possible).

Some clients' accounts are relatively small, in which case the custodian may not allow us to trade through other firms. Other clients may specifically request that their accounts only be traded through a particular broker/dealer. HFS trades these accounts through the firm chosen by the client, which limits our ability to seek best execution. Trading restrictions may result in materially higher trading costs and reduced returns.

#### Best Execution Reviews

On at least an annual basis Hopwood Financial's Chief Compliance Officer evaluates the pricing and services offered by both Schwab and Fidelity and other trading counterparties with those offered by other reputable firms. Hopwood Financial Services has sought to make a good-faith determination that each custodian and other chosen trading counterparties provide clients with good services at competitive prices. However, clients should be aware that this determination could have been influenced by our receipt of products and services from the respective custodian. Historically, Hopwood Financial has concluded that our two primary custodians are as good as, or better than, the other firms that have been considered. We would notify our clients if we were to determine that another firm offered better pricing and services than Schwab Institutional and Fidelity Institutional.

#### Aggregated Trades

Hopwood Financial often aggregates client trades in an effort to treat all clients fairly. Clients participating in a bunched order receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. Employees may be included side-by-side in bunched client trades. If an order is partially filled, clients will have their orders filled on a randomized basis; Hopwood Financial will seek

to complete any unfilled client orders at a later date whenever possible. Employees are excluded from bunched trades whenever client orders are only partially filled.

When trading accounts through our custodians and one or more other broker/dealers, Hopwood Financial's trader may choose to place smaller trades ahead of larger trades when the smaller trades are not expected to materially affect the price or liquidity of the security in question. This practice may result in accounts held at our current custodians trading after other accounts with disproportionate frequency. It is possible that, over time, this practice could result in clients whose accounts trade through other broker/dealers experiencing a benefit at the expense of the Schwab and Fidelity accounts.

#### Trade Errors

From time-to-time, Hopwood Financial may make an error in submitting a trade order on your behalf. When this occurs, Hopwood Financial may place a correcting trade with the broker-dealer which has custody of your account. Under no circumstances will a client bear a loss due to a trade error caused by Hopwood Financial. Hopwood Financial will maintain documentation to form an audit trail of all trade errors to substantiate the course of action to correct such errors.

#### Client Referrals

Hopwood Financial does **not** compensate Schwab or Fidelity or any other custodian or broker/dealer for referring client accounts.

#### **Review of Accounts**

Accounts under Hopwood Financial's management are monitored on an ongoing basis by portfolio managers. In addition, certain Investment Committee members and the Chief Compliance Officer will periodically review the portfolios. Certain Investment Committee members review each account in detail on at least an annual basis, as well as in connection with each client meeting. On at least a quarterly basis certain Investment Committee members and the Chief Compliance Officer review a number of reports that are designed to identify accounts that are outside the expected ranges for returns, exposure to asset classes, and exposure to industry sectors. Reviews of client accounts will also be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Clients receive account statements directly from their chosen custodian on a monthly basis in addition to confirmations of every trade. Hopwood Financial Services provides our own quarterly reports that supplement the custodial statements from the respective brokerage firm where their assets are held.

#### **Client Referrals and Other Compensation**

Other than the previously described products and services that we receive from Schwab and Fidelity, Hopwood Financial does **not** receive any other economic benefits from non-clients (including outside professionals) in connection with the provision of investment advice and financial planning to clients.

Neither Hopwood Financial nor its representatives compensate non-supervised persons for client referrals.

#### **Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but Hopwood Financial can access many clients' accounts through its ability to debit advisory fees. For this reason, Hopwood

Financial Services may be considered to have custody of client assets. Account custodians send statements directly to the account owners on either a monthly or quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by Hopwood Financial.

Hopwood Financial provides other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. In particular, certain clients have signed asset transfer authorizations that permit the qualified custodian to rely upon instructions from Hopwood Financial to transfer client funds to “third parties.” In accordance with the guidance provided in the SEC Staff’s February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

### **Investment Discretion**

Hopwood Financial Services has investment discretion over all clients’ accounts unless specifically restricted in our agreement with the client. Clients grant us trading discretion through the execution of a limited power of attorney included in Hopwood Financial’s advisory contract.

Clients can place reasonable restrictions on Hopwood Financial’s investment discretion. For example, some clients have asked us not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis. If this is applicable, this must be agreed to in advance and in writing.

### **Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, HFS has adopted and implemented written policies and procedures governing the voting of client securities. Hopwood Financial Services does **not** vote proxies on behalf of clients. This is the sole responsibility of each respective client.

### **Financial Information**

Hopwood Financial Services has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

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Part 2B of Form ADV The Brochure Supplement

Updated: October 16, 2023



## Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

### **CERTIFIED FINANCIAL PLANNER™**

Professionals at our Firm are certified for financial planning services in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”). Therefore, they may refer to themselves as a CERTIFIED FINANCIAL PLANNER™ professional or a CFP® professional, and I may use these and CFP Board’s other certification marks (the “CFP Board Certification Marks”). The CFP® certification is voluntary. No federal or state law or regulation requires financial planners to hold the CFP® certification. You may find more information about the CFP® certification at [www.cfp.net](http://www.cfp.net).

CFP® professionals have met CFP Board’s high standards for education, examination, experience, and ethics. To become a CFP® professional, an individual must fulfill the following requirements:

- **Education** – Earn a bachelor’s degree or higher from an accredited college or university and complete CFP Board-approved coursework at a college or university through a CFP Board Registered Program. The coursework covers the financial planning subject areas CFP Board has determined are necessary for the competent and professional delivery of financial planning services, as well as a comprehensive financial plan development capstone course. A candidate may satisfy some of the coursework requirement through other qualifying credentials.
- **Examination** – Pass the comprehensive CFP® Certification Examination. The examination is designed to assess an individual’s ability to integrate and apply a broad base of financial planning knowledge in the context of real-life financial planning situations.
- **Experience** – Complete 6,000 hours of professional experience related to the personal financial planning process, or 4,000 hours of apprenticeship experience that meets additional requirements.
- **Ethics** – Satisfy the Fitness Standards for Candidates for CFP® Certification and Former CFP® Professionals Seeking Reinstatement and agree to be bound by CFP Board’s Code of Ethics and Standards of Conduct (“Code and Standards”), which sets forth the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements to remain certified and maintain the right to continue to use the CFP Board Certification Marks:

- **Ethics** – Commit to complying with CFP Board’s Code and Standards. This includes a commitment to CFP Board, as part of the certification, to act as a fiduciary, and therefore, act in the best interests of the client, at all times when providing financial advice and financial planning. CFP Board may sanction a CFP® professional who does not abide by this commitment, but CFP Board does not guarantee a CFP® professional's services. A client who seeks a similar commitment should obtain a written engagement that includes a fiduciary obligation to the client.
- **Continuing Education** – Complete 30 hours of continuing education every two years to maintain competence, demonstrate specified levels of knowledge, skills, and abilities, and keep up with developments in financial planning. Two of the hours must address the Code and Standards.

## **CHARTERED FINANCIAL ANALYST**

The Chartered Financial Analyst (CFA®) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by the CFA® Institute — the largest global association of investment professionals.

There are currently more than 170,000 CFA® charter holders working in 170 countries and regions. To earn the CFA® charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join the CFA® Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA® Institute Code of Ethics and Standards of Professional Conduct.

### **High Ethical Standards**

The CFA® Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA® Charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

### **Global Recognition**

Passing the three CFA® exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA® Charterholders—often making the charter a prerequisite for employment.

Additionally, regulatory bodies in 38 countries and territories recognize the CFA® charter as a proxy for meeting certain licensing requirements, and more than 466 colleges and universities around the world have incorporated a majority of the CFA® Program curriculum into their own finance courses.

### **Comprehensive and Current Knowledge**

The CFA® Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA® Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA® Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

## **Herbert G. Hopwood, III, CFP®, CFA Biographical Information**

### Educational Background and Business Experience

Herb was born in 1959. He received a Bachelor of Business Administration degree with a concentration in Finance from the University of Notre Dame in 1981.

Mr. Hopwood received the Chartered Financial Analyst (“CFA®”) designation in 2000. In addition, Herb has been a CERTIFIED FINANCIAL PLANNER™ professional since 1987.

Mr. Hopwood founded Hopwood Financial Services in 2003 and has been President and Chief Compliance Officer from its inception. He is also a member of the Investment Committee.

Prior to founding Hopwood Financial, Herb was Senior Vice President and a Principal at West Financial Services from 1992 to 2003. He also served as a financial adviser at Prudential Securities from 1986 to 1992. His first job out of college was at First American Bank of Virginia from 1981 to 1986 where he became a Trust Pension Officer and Real Estate Loan Officer.

### Disciplinary Information

Mr. Hopwood has not been involved in any legal or disciplinary events that would be material to a client’s evaluation of Mr. Hopwood or of HFS.

### Other Business Activities

Mr. Hopwood is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of HFS.

### Additional Compensation

Mr. Hopwood does not receive economic benefits from any person or entity other than Hopwood Financial in connection with the provision of investment advice to clients.

### Supervision

As Hopwood Financial Services’ founder, President and Chief Compliance Officer, Mr. Hopwood maintains ultimate responsibility for the company’s operations. Mr. Hopwood discusses investment decisions with the other Investment Committee members, Mr. Galvin, and Ms. Smith. Mr. Hopwood can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Kevin J. Galvin, CFP®, CFA Biographical Information**

### Educational Background and Business Experience

Mr. Galvin was born in 1982. He received a BSBA in Finance and International Business from Georgetown University in 2004.

Mr. Galvin serves as Director of Research and Portfolio Manager since joining Hopwood Financial in 2015. He is also a member of the Investment Committee.

Previously, he was a Portfolio Manager and Senior Research Analyst at West Capital Management from 2010 to 2014. From 2006 to 2010, Kevin was a Co-Portfolio Manager and Analyst at Plainview Capital. He was an Investment Banking Analyst at Wachovia Securities from 2004 through 2006.

Mr. Galvin received the Chartered Financial Analyst (“CFA®”) designation in 2011. In addition, Kevin has been a CERTIFIED FINANCIAL PLANNER™ professional since 2016.

### Disciplinary Information

Mr. Galvin has not been involved in any legal or disciplinary events that would be material to a client’s evaluation of Mr. Galvin or of HFS.

### Other Business Activities

Mr. Galvin is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of HFS.

### Additional Compensation

Mr. Galvin does not receive economic benefits from any person or entity other than Hopwood Financial in connection with the provision of investment advice to clients.

### Supervision

Mr. Galvin’s investment recommendations are supervised by Herbert G. Hopwood and monitored by other professionals at the firm. Mr. Hopwood can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Lauren D. Smith, Biographical Information**

### Educational Background and Business Experience

Ms. Smith was born in 1997. She received a Bachelor of Science degree in Finance from Virginia Polytechnic Institute and State University in 2019. Ms. Smith has been a CERTIFIED FINANCIAL PLANNER<sup>TM</sup> professional since 2021.

Ms. Smith serves as a Support Advisor since joining Hopwood Financial in 2019.

Previously, she was a student.

### Disciplinary Information

Ms. Smith has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Ms. Smith or of HFS.

### Other Business Activities

Ms. Smith is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of HFS.

### Additional Compensation

Ms. Smith does not receive economic benefits from any person or entity other than Hopwood Financial in connection with the provision of investment advice to clients.

### Supervision

Ms. Smith's investment recommendations are supervised by Herbert G. Hopwood and monitored by other professionals at the firm. Mr. Hopwood can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Curtis Holland, Biographical Information**

### Educational Background and Business Experience

Mr. Holland was born in 1999. He received a Bachelor of Arts degree in Finance from Virginia Tech in 2021.

Mr. Holland serves as a Support Advisor since joining Hopwood Financial in 2022.

Previously, he was a student.

### Disciplinary Information

Mr. Holland has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Holland or of HFS.

### Other Business Activities

Mr. Holland is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of HFS.

### Additional Compensation

Mr. Holland does not receive economic benefits from any person or entity other than Hopwood Financial in connection with the provision of investment advice to clients.

### Supervision

Mr. Holland's investment recommendations are supervised by Herbert G. Hopwood and monitored by other professionals at the firm. Mr. Hopwood can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Peter A. Ramig, Biographical Information**

### Educational Background and Business Experience

Mr. Ramig was born in 1992. He received a Bachelor of Arts degree in History from Furman University in 2014.

Mr. Ramig serves as an Advisor since joining Hopwood Financial in 2023. Previously, he was a Financial Advisor at VALIC Financial Advisors, Inc. from 2015 to 2023.

### Disciplinary Information

Mr. Ramig has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Ramig or of HFS.

### Other Business Activities

Mr. Ramig is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of HFS.

### Additional Compensation

Mr. Ramig does not receive economic benefits from any person or entity other than Hopwood Financial in connection with the provision of investment advice to clients.

### Supervision

Mr. Ramig's investment recommendations are supervised by Herbert G. Hopwood and monitored by other professionals at the firm. Mr. Hopwood can be reached directly by calling the telephone number on the cover of this brochure supplement.