



**TFC FINANCIAL**  
The Financial Counselors

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**Form ADV Part 2A**

**Brochure**

This brochure provides information about the qualifications and business practices of TFC Financial Management, Inc. If you have any questions about the contents of this brochure, please contact Constance H. Wyllie, the firm's Chief Compliance Officer, by phone at 617-210-6725 or by email at [cwyllie@tfcfinancial.com](mailto:cwyllie@tfcfinancial.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.

Additional information about TFC Financial Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm CRD number is 105062.

## **Item 2. Material Changes**

Since the filing of our last Annual Amendment, we have no material changes to report.

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## Item 4. Advisory Business

TFC Financial Management, Inc. (“we,” “us” or “the firm”) is an SEC-registered investment adviser with its principal place of business at 260 Franklin Street, Boston, Massachusetts. We began conducting business in 1981. We provide investment management and financial planning services, as described in more detail below. The fact that we are registered with the SEC does not imply that we have a certain level of skill or training.

The principal owners of the firm, which is a Massachusetts corporation, are:

- James L. Joslin, Chairman
- Renée Kwok, President and CEO
- Stephen J. O'Neill, Principal

Mr. Joslin and Ms. Kwok are full-time employees of the firm and are actively engaged in the business, operations and management of the firm; Mr. O'Neill is not an employee of the firm.

We offer the following services to our clients:

### Investment Management Services

We provide investment management services on a discretionary basis. This is our principal business activity. For client accounts that we manage on a discretionary basis, guided by a mutually agreed to Investment Policy Statement (IPS), we direct the investment and reinvestment of the assets in the client's account(s), the proceeds thereof, and any additions thereto, in our discretion and without prior notice to, or approval of the client within the agreed upon Investment Policy Statement guidelines signed by the Client and TFC.

We also manage a limited number of special situation client accounts on a non-discretionary basis. For these clients, we monitor the investment accounts they have designated to us and make investment recommendations to the client, but the recommendations are only implemented with the client's specific approval.

Our investment management clients are invested primarily in no-load, open-end mutual funds and/or ETFs, but may also be invested in individual equity and fixed income securities. The mutual funds we invest in, or recommend to clients, are global in scope and diversified among various asset classes and investment styles.

As of December 31, 2017, we managed client assets of approximately \$958 million on a discretionary basis and of approximately \$2.1 million on a non-discretionary basis.

For all clients, we provide continuous supervision of the client's account based on the individual goals and objectives of each client. Through discussions with each client in which investment goals and objectives, risk tolerance, time horizons, and liquidity requirements are established, we develop with the client a written Investment Policy Statement that becomes part of the client's contract with the firm. We then create and manage the client's portfolio (or make investment recommendations to the client), in accordance with, and with a view to achieving the client's goals and objectives as set forth in the client's Investment Policy Statement.

We believe that a globally diversified portfolio of no-load mutual funds and ETFs provides our

clients with a broader foundation and, therefore, moderation of potential risk and volatility than investment in individual securities. However, it is possible that a portfolio of individual securities could outperform a portfolio invested in mutual funds and/or ETFs.

Employing what has become defined as an “open architecture” approach, our clients are primarily invested in no-load, open-end mutual funds and/or ETFs. Those funds may invest in, and we may provide advice to clients from time to time regarding the following types of investments:

- Exchange-traded funds (ETFs)
- Closed-end mutual funds
- Exchange-listed and over-the counter equity and fixed income securities
- Securities of foreign issuers, both corporate and sovereign
- Warrants and other rights
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance products
- Variable and fixed annuities
- Federal and state governmental securities
- Real estate, through publicly traded REITS
- Natural resources
- Interests in partnerships and other alternative investment vehicles

Because some of these investments involve additional levels and types of risk, we will only buy them or recommend them if it is consistent with the client's Investment Policy Statement.

#### Use of Third-Party Managers and/or Consultants

We have a consulting agreement with an SEC-registered investment advisor to provide advice to us with respect to individual equity securities held in our clients' accounts. While we take such advice into consideration in managing our clients' accounts, we make all final investment decisions and recommendations. Any fees paid under this consulting agreement are fully born by TFC.

We may also, when appropriate, recommend direct investment with independent third-party managers, typically when those managers demonstrate knowledge and expertise in a particular investment strategy such as management of fixed-income or alternative investments portfolios.

As part of this service, we perform management searches of various unaffiliated registered investment advisers. Based on a client's individual circumstances and needs (as exhibited in the client's IPS) we will determine which third-party manager's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of each third-party manager. With the client's initial prior consent, we will open a separate account for the client to be managed by the third-party manager. The client will sign a separate Investment Management Agreement with the third-party manager, granting the third-party manager the discretionary authority needed for day-to-day management of the client's portfolio placed with that particular

manager. We encourage clients to review each third-party manager's disclosure document regarding the particular characteristics of any program and managers selected by us.

Once we determine which third-party manager(s) are most appropriate for the client, we will provide the selected third-party managers(s) with the client's investment objectives. The selected third-party manager will then create and manage the client's portfolio based upon the client's objectives, as communicated by us.

We will regularly and continuously monitor the performance of the selected third-party manager(s). If we determine that a particular third-party manager is not providing sufficient management services to the client or is not managing the client's portfolio in a manner consistent with the client's stated investment objectives, we will remove the client's assets from that third-party manager and place the client's assets with another third-party manager pursuant to the grant of discretionary investment authority by the client to our firm.

Our firm will conduct appropriate due diligence on all independent third-party managers, making reasonable inquiries into their performance calculations, policies and procedures, Code of Ethics, and other operational and compliance matters deemed important to account performance and risk management.

No referral fees are paid by selected-third-party managers to our firm.

#### Financial Planning Services

We provide comprehensive, as well as targeted (i.e., goal-specific), financial planning services. Financial planning involves a comprehensive evaluation of a client's current and future financial situation using currently known information and variables to project future cash flows, asset values and withdrawal plans. We gather relevant client information through in-depth interviews and financial data collection. Information gathered includes the client's current financial status, tax status, future goals, return objectives, and attitudes towards risk. We carefully review documents supplied by the client (such as wills and trusts, income tax returns, insurance policies, and retirement plans), including a detailed questionnaire completed by the client.

In the financial planning process, we attempt to consider all relevant factors as they impact, and are impacted by, the entire financial and life situation of the client. Clients engaging us for financial planning generally receive a list of recommendations designed to assist the client in achieving his or her financial goals and objectives.

Although a financial planning engagement may be targeted at one client objective, such as retirement, usually a financial plan will address any or all of the following areas:

- **Personal finances:** We review family records, cash flows, personal liability exposure, estate information and financial goals.
- **Tax and cash flows:** We input and analyze the client's past and current income tax and spending levels then illustrate the impact of various types of investments on the client's current and future cash flow and tax liability.
- **Investments:** We analyze the client's current investments and possible alternatives, recommend changes, and discuss their potential effect (risk vs. return) on the client's portfolio.

- **Insurance:** We review existing life, health, disability, long-term care, liability, home and automobile policies and make generic recommendations if we think coverage should be changed. We do not make recommendations for specific replacement tied to any carrier, broker or agent, but sometimes suggest an agent to assist with implementation.
- **Retirement:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **Death and disability:** We review the client's potential cash needs in the event of death or disability, including income and liquidity needs of surviving dependents and disability income.
- **Estate planning:** In consultation with the client's estate planning attorney, we assist the client in assessing and developing long-term dispositive strategies, including as appropriate, living trusts, wills, protecting estate taxes under current tax laws, powers of attorney, asset protection. Any new estate planning documents are prepared by the client's estate planning attorney, which we are prepared to review for completeness.

Typically, the financial planning recommendations are presented to the client within six months of the contract date, usually during a series of meetings, each covering specific segments of the planning process. Should the client choose to implement the firm's recommendations, we suggest the client work with his/her attorney, accountant, insurance agent, and/or securities broker. We are prepared to assist in the implementation of financial plan recommendations, but how this is carried out is entirely at the client's discretion.

#### Investment Monitoring Services

Clients may elect TFC to continuously monitor their investment portfolios and provide recommendations relating to such portfolios. Under the terms of this service, clients remain solely responsible for deciding whether to implement TFC's recommendations and for implementing any or all of the received recommendations. TFC does not typically have investment discretion or trading authority for these client accounts.

### **Item 5. Fees and Compensation**

We are a fee-only investment adviser, which means that all of our revenues are derived from the fees paid by our clients. We are not paid, and do not accept any compensation from any third parties, for the purchase or sale of securities or other investment products by or for the accounts of our clients. Regardless of the services we provide to a client, the relevant fee schedule is set forth in our contract with the client.

#### Investment Management Fees

Our fees for discretionary investment management services are a percentage of the market value of the assets under management, valued on the last day of each calendar quarter. These fees are paid quarterly, in arrears, by deducting them directly from the client's custodial account, as permitted by each client's Investment Management Agreement with us. The quarterly fees are calculated by applying one-fourth of the annual fee rate (see table below) to the value of the managed assets at the end of each calendar quarter. If a client has more than one account under

management or if several members of the same family are clients, the accounts may be aggregated for purposes of calculating our fees. Fees for any period less than a quarter of a year are pro-rated on a per diem basis.

Effective for all discretionary investment management clients who have engaged us, our fee schedule is as follows:

<u>Assets in client account(s)</u>	<u>Annual fee rate</u>
First \$1 million	1.25%
Next \$1 million	1.00%
Next \$3 million	0.75%
Amount above \$5 million	0.50%

For example, on a \$2 million account at the fee rates set forth above, the annual fee equates to \$22,500, payable in quarterly installments in arrears of \$5,625.

Our fees for our non-discretionary investment management services are negotiated separately with each client, are generally asset-based, and depend on the complexity of the client's situation and the services required.

Investment management fees for clients with assets under management in excess of \$5 million are negotiable. Moreover, in our sole discretion, we may allow certain clients to pay negotiated fixed fees in lieu of asset-based compensation. In addition, while substantially all of our clients are charged fees as described above, we retain the discretion to negotiate alternative fees on a client-by-client basis. In these cases, client facts, circumstances and needs will be considered in determining the alternative fee schedule. These factors include the complexity of the client circumstances, assets under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reporting requirements. Alternative fee schedules may be lower than those described above. In addition, we may offer discounted fees to family members of long-time clients and to friends of associated persons of the firm.

In addition to our fees, our investment management clients will pay brokerage commissions and other transaction costs; see Item 12, Brokerage Practices. Clients may also pay custodial charges, depending on which custodian they select. Clients who choose to use Charles Schwab & Co., Inc., our recommended custodian, pay discounted transaction charges, but do not pay custodial fees.

Our investment management clients are primarily invested in institutional class, no-load mutual funds and/or ETFs, which are investments that do not carry a sales charge. Clients invested in mutual funds do bear a share of other mutual fund expenses, such as a management fee payable to the fund manager, transaction costs, accounting and audit, and administration expenses. We take these expenses (as a percentage of fund net asset value) into account when we evaluate and select mutual funds for client portfolios.

Within five days after signing an Investment Management Agreement with us, a client may terminate the agreement without penalty. After five days, either party may terminate the agreement with 30 days' notice; fees will be charged at the applicable fee rate on a prorated basis through the date of termination.



### Third-Party Managers

Selected third-party managers may elect to directly debit client accounts for their management fees upon receiving permission from each client. These managers may charge their fees in advance or in arrears, monthly or quarterly, depending on the terms of each investment program and each selected manager's billing practices. Third-party management fees are debited in addition to TFC investment management fees.

### Financial Planning Fees

Our fees for financial planning services are quoted as a range agreed with the client and are payable in two installments, the first at the beginning of an engagement and the second six months later. A typical engagement is for 12 months. A client who engages us for follow-up planning after the initial 12 months pays an agreed annual fee in semi-annual installments. Our financial planning fees are based on hourly rates ranging from \$200 per hour up to \$400 per hour depending on the person providing the services, the nature of services, and the complexity of the issues and problems presented by the client's situation. Our financial planning fees are generally in the range of \$1,000 to \$10,000 per engagement, although some may be higher based on the amount of services provided.

A financial planning client may terminate the agreement and receive a full refund of all fees paid within five days after signing a financial planning agreement. After five days, either party may terminate the agreement with 30 days' notice. In that event, we will agree upon an equitable fee for the services performed through the date of termination, and we will refund any prepaid amount above the agreed upon fee.

### Investment Monitoring Fees

Fees for this service are charged quarterly in arrears and are based on the market value of the portfolio(s) being monitored. Our fees for investment monitoring services are negotiated separately with each client and depend on the complexity of the client's situation and the services required.

### Fees in General

Investment management, financial planning and consulting services similar to those we provide may be available from other investment advisers for similar or lower fees.

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

We do not charge any fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7. Types of Clients**

We provide Investment management services to the following types of clients:

- High net worth individuals
- Non-profit and charitable organizations

Although there are no required account size minimums or fee minimums, we do recommend an account size of \$2 million and above.

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

The discussion in this Item relates to our investment management services.

### Investment Philosophy and Portfolio Management Strategy

We believe dynamic asset class structure drives portfolio volatility, risk profile, and return results. Utilizing primarily no-load mutual funds and ETFs, our portfolios are generally global in scope, value-oriented, and we regularly reexamine client portfolios and adjust for market conditions and other factors. We further believe that a broadly diversified (by region, market, company size, investment style, and industry) selection of mutual funds and/or ETFs can control and contain risk exposure. With disciplined, periodic rebalancing amongst asset classes, our “open-architecture” approach provides the flexibility to take advantage of asset class sector valuation anomalies.

We manage a combination of mutual funds and ETFs and third-party managers, not portfolios of individually-selected common stocks. Our “core-passive” approach (i.e., strategic use of passive, or index, as well as active managers) in both the fixed income and equity segments of balanced portfolios provides the best chance of capturing the overall asset class exposure. Optimizing internal fund costs and portfolio fees is a primary objective as well.

We have developed a set of model portfolios intended to address different investment objectives (for example, growth, income or a combination) and levels of risk tolerance (primarily addressed by the relative allocation of assets between equities and fixed income investments). Each model portfolio “holds” a mix of mutual funds and/or ETFs, well diversified among asset classes and investment styles, as well as geographically. As stated earlier, we believe that a carefully researched and constructed portfolio of mutual funds and/or ETFs provides our clients with more diversification and, therefore, moderation of potential risk and volatility, in both the short and longer term, than investment in individual securities. However, it is possible that a portfolio of individual securities could outperform a portfolio invested in mutual funds and/or ETFs.

We use these model portfolios as templates for the management of the accounts of our discretionary and non-discretionary investment management clients. For each client, although utilizing across each portfolio a limited number of Investment Committee-approved investment products, we customize the appropriate portfolio based on the client’s Investment Policy Statement, which may limit or prohibit certain types of investments. Therefore, while our clients with substantially similar investment goals and objectives will likely own many of the same mutual funds and/or ETFs, they may not own all of the same investments or the same amounts (as a portion of their portfolios) of an investment.

There will also likely be differences in holdings and weightings of holdings in taxable and tax-deferred/non-taxable (e.g., retirement plan) client accounts even if they have substantially similar investment goals and objectives. In other words, for tax purposes, the location (i.e., in which account of a client) of each investment is often as important as which fund is selected.

Investment in securities, including investment in a diversified portfolio of mutual funds and/or ETFs, involves risk of loss no matter how well investments may be managed. We do not guarantee investment results, and our clients must be prepared to bear this risk of loss.

Methods of Analysis: We use the following methods of analysis in structuring our model portfolios, formulating our investment advice and/or managing client assets:

*Macro-economic outlook:* We utilize a combination of macro-economic consulting and investment research firms to guide our assessment of the global economic outlook and portfolio asset class strategy. Each firm is an independent consultant providing proprietary research for a fee, which TFC pays.

*Asset Allocation Analysis:* We attempt to identify an appropriate ratio of equity securities, fixed income, alternative investments and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of equity securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

*Fundamental Analysis:* We attempt to assess the intrinsic value of a security, or fund by looking at economic valuation metrics and financial factors. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Therefore, unforeseen market conditions and/or company developments may result in significant price fluctuations that can lead to investor losses.

*Investment Analysis:* We look at the experience and track record of the investment products and managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in the investment in an attempt to determine if there is significant overlap in the underlying holdings held in other investments in the client's portfolio. We also monitor the investments in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of investment analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying holdings in an investment, managers of other investments held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy, which could make the investment less suitable of the client's portfolio.

*Investment Selection Process:* With the firm's strategic asset class sector allocation policy and the client's IPS guiding overall portfolio structure, we research managers and select investment products using the following criteria:

- Manager's demonstrated focus on desired asset class sector. Since we develop portfolio asset class structure, a close adherence to a stated investment policy within each asset class is essential;
- If an *actively* managed mutual fund or ETF is under consideration, a careful assessment

of the manager's credentials, risk profile, and performance record are analyzed using sophisticated information processing quantitative tools and techniques;

- A detailed Request For Proposal (RFP) is required from each investment manager we are evaluating; if we are satisfied with review of the RFP, our next step is a manager interview either in our Boston office, at the manager's office, or via conference call;
- The investment's cash flow characteristics (i.e., size, performance of separately-managed accounts following similar investment approach, redemption pressures) are considered, as are the fund manager's age, other responsibilities, and compensation incentives;
- If an asset class sector in the portfolio mix is to be filled by a *passive* mutual fund or ETF, the asset class replication theoretical construction is studied to assure an appropriate fit within the firm's intended portfolio combination of asset classes;
- Once selected, a direct communication loop is established with each investment manager and a mutually agreed to monitoring process is followed to assure periodic feedback continues, and
- All current client portfolio funds, as well as those under consideration, are tracked against suitable similar strategy benchmarks to assure compliance with expected relative performance.

*Third-Party Manager and Model Manager Analysis:* We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent business, regulatory or reputational deficiencies.

*Risks for all forms of analysis:* Our investment analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available and contractually received sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

**Investment Strategies:** Our client portfolio investment strategies are developed and guided by our core investment Committee ("IC"), which has the following members (all but Mr. Reynders are employees of the firm):

James L. Joslin, CFP<sup>®</sup>, Chairman  
Renée Kwok, CFP<sup>®</sup>, President and CEO

Daniel S. Kern, CFA<sup>®</sup>, CFP<sup>®</sup>, Chief Investment Officer  
Thomas E. Hudson, CFA<sup>®</sup>, Director of Investment Research  
Ashley A. Meany, Trading & Investment Research Associate  
Charlton Reynders III, Chairman and CEO of Reynders McVeigh Capital Management

Our IC meets monthly to review our model portfolios, account performance, asset class sector strategy, macro-economic information, global investment market behavior, investment return results relative to benchmarks, manager research, conference calls and presentations, conference attendee feedback, investor behavior patterns, and world-wide investment market cash flow patterns. The agenda for each IC meeting is developed during the intervening period based on longer-term research projects underway, input from IC members, questions raised by clients, and changes in the investment market environment. At these monthly meetings, decisions are made on model portfolio asset class allocations and specific investment selections. We implement client account portfolio realignment in accordance with these IC decisions shortly thereafter (e.g., in the case of a dramatic change in a particular mutual fund's profile), or over time depending on each account tax profile and/or client communication requirements.

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) is(are) appropriate to the needs of the client and consistent with the client's Investment Policy Statement.

We purchase (or recommend) investments and other securities with the idea of holding them for a year or longer. Typically we employ this strategy when:

- We believe the securities to be currently undervalued, and/or
- We want exposure to a particular asset class over time, regardless of the current consensus or "expert" opinion.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

## **Item 9. Disciplinary Information**

Neither the firm nor any of our personnel has ever been involved in any legal or disciplinary events material to a client's or prospective client's evaluation of our advisory business or the integrity of our management and personnel.

We have not reported, and are not required to report, any legal, disciplinary or other events in our Form ADV Part 1.

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

We are engaged exclusively in the activities described in Item 4 above and not in any other business activities.

We have an immaterial ownership interest (one-quarter of one share or less than 1%) in National Advisors Trust Company (“NATC”), a custodian we recommend to some irrevocable trust clients because of the administrative trustee services and reporting NATC can provide; see Item 12, Brokerage Practices.

Other than those listed above, we don’t have any material relationships or arrangements with any related person that are material to our advisory business or to our advisory clients.

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

We have a Code of Ethics, which sets forth the high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics applies to all of our employees, regardless of position in the firm. A copy of our Code of Ethics is available to all of our clients and prospective clients by e-mail request sent to [cwyllie@tfcfinancial.com](mailto:cwyllie@tfcfinancial.com), or by calling our main office number at 617-210-6700.

We take our fiduciary responsibilities as an investment adviser very seriously, and our personnel owe a duty of loyalty, fairness and good faith towards our clients. We have an obligation to adhere not only to the specific provisions of the Code of Ethics, but to the general principles that are defined in the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly employee securities transactions reports as well as initial and annual securities holdings and brokerage accounts reports that must be submitted by our access persons. In addition, our Code of Ethics also requires the prior approval of any acquisition by any of our employees of securities in a limited offering (that is, a private placement) or an initial public offering (IPO). Our code also provides for oversight, enforcement and recordkeeping provisions.

Our Code of Ethics further includes a policy prohibiting the use of material, non-public (“inside”) information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

We have established the following additional policies and procedures for implementing our Code of Ethics:

- No Employee may put his or her own interest above the interest of any client.
- We have established procedures for the maintenance of all required books and records.
- All of our employees must act in compliance with all applicable federal and state securities laws and regulations.
- We require annual delivery of our Code of Ethics to, and acknowledgement of receipt by, all employees of the firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to sanction, including possible termination of employment.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interests of clients and (ii) implementing such decisions.

Our employees are permitted to invest for their own accounts and may invest in the same securities in which our clients are invested and may buy or sell such securities at about the same time as they are bought or sold, or we recommend to clients to buy or sell, such securities. Our clients and our employees are generally invested in no-load, open-end mutual funds or ETFs. Our employees may also invest in securities that are not owned by our clients. In our view, such investments and investment practices present no material conflicts of interests with our clients. Other than short-term cash reserves in checking accounts or money-market funds for business operating purposes, the firm does not own securities for its own account.

## **Item 12. Brokerage Practices**

We do not have any formal or informal soft-dollar arrangements and do not receive any soft-dollar benefits.

We do not request or accept the discretionary authority to determine the broker dealer to be used for client accounts. Clients must direct us as to the broker dealer to be used for all client securities transactions. In directing the use of a particular broker or dealer, it should be understood that we will not have authority to negotiate commissions among various brokers, and best execution may not be achieved, resulting in higher transaction costs for clients. *Not all advisers require their clients to direct brokerage.*

We recommend the Schwab Institutional division of Charles Schwab & Co., Inc. (“Schwab”) or Fidelity Institutional division of Fidelity Brokerage Services LLC (“Fidelity”) for custody and brokerage services for our clients. The majority of our clients have their accounts with Schwab. For some client relationships that involve irrevocable trusts, we may recommend NATC. We own one-quarter of one share of NATC, representing an ownership interest of less than one percent (1%). We have not received any financial benefits, such as dividends, from this investment and we believe that this ownership interest does not create any material conflict of interest with clients.

While we recommend Schwab and Fidelity to our clients for custody and brokerage, we do not require that clients use them. Clients may direct us to use another custodian or broker. In such situations, because we would not have the volume of business with the custodian or broker, we may not be able to negotiate as favorable fees and charges as we have been able to negotiate with Schwab and Fidelity. Therefore, clients who direct us to other firms may pay higher fees and charges and may not get the most favorable execution of their transactions. We reserve the right to decline acceptance of any client account for which the client directs the use of a broker if we believe that this choice would hinder its fiduciary duty to the client and/or its ability to service the account.

Schwab makes available to us other products and services that benefit us and many, but not necessarily all, of our clients. Some of these other products and services assist us in managing and administering client’s accounts. These include software and other technology that provide

access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of our clients' accounts, including client accounts not maintained at Schwab.

Schwab also makes available to us other products, services and benefits intended to help us manage and further develop our business; these may not specifically benefit our clients or their accounts. These services may include consulting, publications, conferences, information technology, business succession planning, regulatory compliance, and marketing. Schwab may discount or waive fees it would otherwise charge for some of these services or may make available, arrange and/or pay all or part of the fees of a third-party providing these types of services to TFC. The availability of services from Schwab benefits us because we do not have to produce or purchase them.

As a fiduciary, we endeavor at all times to act in our clients' best interests. However, our recommendation of Schwab and Fidelity may be based in part on the benefits and availability of some of the products and services described above and not solely on the nature, cost or quality of custody and brokerage services provided by these broker dealers. In order to mitigate this potential conflict of interest, we periodically review the services of broker dealers recommended by us and recommend the services based on a number of factors. These factors include the quality of professional services offered, commission rates, and the custodial platform provided to clients. While, based on our business model, we will not seek to exercise discretion to negotiate trades among various brokers on behalf of clients, we will, however, periodically attempt to negotiate lower commission rates for our clients with the recommended broker dealers.

#### Trade Aggregation

As a matter of policy and practice, our firm does not generally block client trades and, therefore, implements client transactions separately for each account. Due to this practice, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers to block client trades.

If we determine that aggregation of trades in a certain situation will be beneficial to our clients, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed from each client account on any given day.

### **Item 13. Review of Accounts**

#### Investment Management Clients

We review client accounts (i) in response to changes in our model portfolios made by our Investment Committee, (ii) in response to unusual market, political or economic conditions or changes in a client's circumstances or Investment Policy Statement, and (iii) regularly, but at least quarterly.

As described above in Item 8, our core Investment Committee ("IC") reviews our model



portfolios monthly. If the IC makes changes in a model portfolio, we review any client accounts based on the model portfolio in question. For investment management clients, we will implement reallocation or realignment of account assets to be consistent with the model portfolio, but always subject to the client's Investment Policy Statement. The client account reviews described above are conducted by one or more of:

James L. Joslin, CFP<sup>®</sup>, Chairman  
Renée Kwok, CFP<sup>®</sup>, President and CEO  
Daniel S. Kern, CFA<sup>®</sup>, CFP<sup>®</sup>, Chief Investment Officer  
Leann N. Sullivan, CFP<sup>®</sup>, Vice President  
Scott A. Swartz, CFP<sup>®</sup>, Vice President  
Jane Taubner Barney, JD, CFP<sup>®</sup>, CDEFA<sup>™</sup>, Senior Client Advisor  
Michelle A. Herd, CFP<sup>®</sup>, Senior Client Advisor  
Debra S. McDonald, CFP<sup>®</sup>, Senior Client Advisor  
Thomas E. Hudson, CFA<sup>®</sup>, Director of Investment Research  
Ashley A. Meany, Trading and Investment Research Associate  
Frederick M. Pryor, Esq., Consultant

Our investment management clients receive directly from their custodian or broker monthly account statements and copies of confirmations of all transactions effected in the client's account. Additionally, we also provide clients with quarterly written reports generated by our internal portfolio accounting system and summarizing account performance, balances and holdings. These reports are also available through password-protected, dual factor authentication client portal on our website. We also provide interim reports describing material changes in portfolio strategies.

#### Financial Planning and Investment Monitoring Clients

Once a financial plan is completed, we do not conduct formal reviews unless otherwise contracted for by the client. If a financial planning client wishes to engage us for regular and periodic reviews of the client's financial plan, we will do so, typically on an agreed annual retainer basis.

Financial planning clients receive a completed financial plan or other reports as agreed at the outset of an engagement. We do not typically provide additional reports unless otherwise contracted and paid for.

Investment monitoring client accounts will be reviewed and reported on as specifically agreed upon with each client.

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

Other than that already described in this Brochure, our firm does not receive any additional compensation from third parties for providing investment advice to its clients and does not compensate third-parties for client referrals.

It is our policy not to accept, or to allow our related persons to accept, any form of outside compensation, including cash, sales awards or other prizes, from a non-client in conjunction with

the advisory services we provide to our clients.

### **Item 15. Custody**

Custody is defined as any legal or actual ability by our firm to access client funds or securities. Since all client funds and securities are maintained with a qualified custodian, we don't take physical possession of client assets. However, under the current SEC rules, our firm is deemed to have constructive custody of certain client assets. Therefore, we urge all of our investment management clients to carefully review and compare their quarterly reviews of account holdings and/or performance results received from us to those they receive from their custodian. Should you notice any discrepancies, please notify us and/or your custodian as soon as possible.

### **Item 16. Investment Discretion**

The most significant part of our business is providing discretionary investment management services within the parameters set forth in the IPS. Our discretionary authority includes the ability to do the following without contacting the client in advance or obtaining the client's permission:

- Determine what securities to buy or sell for the client's account;
- Determine the amount (number of shares or other units and price) of any security to buy or sell for the client's account;

Clients give us discretionary authority when they sign an Investment Management Agreement, including the Investment Policy Statement, which gives us discretionary authority over identified assets or accounts. In addition, the client must provide us with a limited trading power of attorney over the accounts we are to manage on a discretionary basis. Clients may limit our authority (for example, by prohibiting us from buying certain types of securities) by giving us written instructions or by limitations set forth in the client's Investment Policy Statement. Clients may also change/amend such limitations by once again providing us with written instructions or amending their Investment Policy Statement. Our discretion in determining the amount of securities to be bought and sold for a client is limited by the asset allocation and any other restrictions in the client's Investment Policy Statement.

With respect to the use of third-party managers, our firm does not manage these client portfolios, or this portion of these client portfolios, in the traditional sense of the definition, rather, we manage the managers. As such, the client may grant us the authority to hire and fire the selected registered investment adviser(s) directly.

### **Item 17. Voting Client Securities**

Under the terms of our Investment Management Agreements with our clients, we are not authorized to vote proxies or sign written consents with respect to any securities owned by our clients, including securities held in client accounts over which we have been granted discretionary authority. In addition, we will not take any action with respect to shareholder class

action lawsuits related to any investment held at any time in client accounts (“class actions”). It is the responsibility of our clients to vote proxies for the securities held in their accounts and to protect their interests in any class action proceeding. Generally, clients will receive proxy voting materials directly from their custodian(s). We will take reasonable steps to forward any proxy voting or class action materials directly to our clients. While we will discuss such proxy voting or class action materials with the client, the obligation to vote client proxies and exercise class action rights at all time rests with the client.

## **Item 18. Financial Information**

Under no circumstances will we earn fees in excess of \$1,200 more than six months in advance of services rendered, and therefore we have no obligation to disclose our firm financials as part of this Brochure.

Our firm has no financial condition that impairs our ability to meet our contractual obligations to you, and have never been the subject of a bankruptcy proceeding.