



## **TOWNSEND FINANCIAL PLANNING, LLC**

A Registered Investment Adviser in the State of Kentucky

### ***Disclosure Brochure - Form ADV Part 2A***

**March 31, 2022**

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This brochure provides information about the qualifications and business practices of TOWNSEND FINANCIAL PLANNING, LLC. If you have any questions about the contents of this brochure, please contact us at 859-498-2020 or [melody@townsendplanning.com](mailto:melody@townsendplanning.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. While the Firm and its personnel are registered with the State of Kentucky, it does not imply a certain level of skill or training on the part of the Firm or its personnel.

Additional information about TOWNSEND FINANCIAL PLANNING, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the Firm's CRD number **141571**.

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## **Item 2 - Material Changes**

This filing is an “annual amendment” filing that does not contain any material changes since the last filing date of March 31, 2021.

While there were no material changes to this Brochure, the Firm has made disclosure changes, enhancements, and additions at:

Item 4 regarding financial planning, portfolio activity, client obligations, use of mutual and exchange traded funds, and advisory services and fees.

Item 5 regarding financial planning, advisory services and fees, and participant directed retirement plans.

Item 11 regarding TFP’s code of ethics.

Item 12 regarding TFP’s brokerage practices.

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### Item 3 - Table of Contents

Item 1: Cover Page .....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation.....	9
Item 6: Performance-Based Fees and Side-By-Side Management.....	14
Item 7: Types of Clients.....	14
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	14
Item 9: Disciplinary Information .....	16
Item 10: Other Financial Industry Activities and Affiliations.....	16
Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading.....	16
Item 12: Brokerage Practices .....	17
Item 13: Review of Accounts .....	18
Item 14: Client Referrals and Other Compensation .....	19
Item 15: Custody .....	19
Item 16: Investment Discretion .....	20
Item 17: Voting Client Securities.....	20
Item 18: Financial Information .....	20
Item 19: Requirements for State-Registered Advisers .....	19
Privacy Notice .....	21
Business Continuity Planning Disclosure.....	22
<i>Disclosure Brochure Supplement - Form ADV Part 2B.....</i>	<i>23</i>

**Important Information:** Throughout this document, Townsend Financial Planning, LLC shall also be referred to as the “Firm,” “our,” “we” or “us.” These terms are utilized for the reader’s ease of use while reviewing the brochure and are not meant to imply the Firm is larger than it may be at the time of publication. The Client or prospective Client may also be referred to as “you,” “your,” etc., and refers to a Client engagement involving a single *person* as well as two or more *persons*.

**NOTE:** *This brochure contains 25 pages & should not be considered complete without all pages.*

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## Item 4 - Advisory Business

4a: Firm Description - Townsend Financial Planning registered with the Kentucky Department of Financial Institutions ("Department") in October 2006. Townsend Financial Planning, LLC (TFP) was organized in April 2011 and updated its registration with the Department at that time. Melody W. Townsend is the managing member, Chief Compliance Officer (CCO) and President of the Firm.

The Firm holds itself to a *fiduciary* standard, which means Townsend Financial Planning, LLC and its associates will act in the utmost good faith and performing in a manner believed to be in the best interest of its Clients.

TFP is strictly a **Fee-Only** financial planning & wealth/investment management services Firm. The Firm does not receive commissions for purchasing or selling annuities, insurance, stocks, bonds, mutual funds, limited partnerships or any other commissioned products. The Firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees or referral fees are accepted.

The primary function of the Firm is providing financial planning services to individuals, families and small business owners. Advice is given in areas of retirement planning, education planning, investment planning, cash flow and debt management, tax planning, risk management, retirement plan selection and estate planning. Most of the Firm's activities involve providing continuous supervision and consultation with respect to the investment of Client assets. Secondly, the Firm's efforts are oriented toward "non-securities advice," such as issues involving expense budgeting and savings, education, insurance, charitable and estate planning, real estate, retirement plan consulting, among others. The remainder portion involves furnishing investment advice through consultations not included in either investment supervisory or investment management services.

4b: Types of Advisory Services - The Firm offers a wide range of investment management, investment advisory, financial planning and consulting services tailored to the Clients' needs. These services are further described as follows:

- 🌀 **Wealth Management** – This is a bundled service, which can encompass nearly all parts of a Client's financial life. This bundle can include: *Investment Management (described below), General Financial Planning, as well as Advanced Planning and Relationship Management.*

*General Financial Planning involves Retirement Projections and Updates, Education Planning, and Cash Flow Planning.*

*Advanced Planning* includes guidance and implementation for Tax Planning, Social Security Maximization, Insurance Analysis, Family Financial Planning, Real Estate Analysis, Retirement Distribution Strategies, Roth Conversion Analysis, Charitable Giving, Estate Planning, and Business Entity Selection Advice.

*Relationship Management* involves coordinating and managing the Client's expert team of professionals such as their Attorney for estate planning, Tax Professional for tax planning and Insurance professional(s) for insurance planning.

Our goal is to simplify our Clients' lives through a responsive, integrated approach and deliver the level of service and expertise that is needed, no matter the size or complexity. Clients have the choice of opting out of financial planning services, further described under "Investment Management" below.

- 🌀 **Investment Management** – This service primarily involves advising and managing client investments based on reaching their financial goals. Services include Client meetings and communications, making recommendations and implementing investment decisions, portfolio monitoring, trading, capital gain/loss evaluation, Investment Policy Statement, daily cash monitoring, asset allocation /rebalancing, asset location, dollar-cost-averaging, periodic investment plans, periodic distribution plans, risk tolerance updates, and preparing and processing all the paperwork for the Client. On-going reporting is provided that can be accessed via the internet or provided through regular statements. It

is understood that every Client has unique goals and risk tolerance and an investment strategy is designed for those unique circumstances. This service is generally only available on a standalone, unbundled basis for Clients who have less than \$750,000 in manageable assets and who do not elect to receive *General Financial Planning* services.

🕒 **Employer Retirement Plans/Retainer** – We understand the challenges small business owners and other employers face in providing retirement plan benefits (401(k), Profit sharing, SIMPLE, etc.) for their employees. We will assist the Client in evaluating which retirement plan option will best suit the goals they have for themselves and their employees when it comes to saving for retirement. We can walk them through the plan set up and monitoring process. This service can also include retirement planning and financial education sessions for individual employees.

🕒 **Financial Planning** – Whether Clients are saving for a particular goal, or planning for future college expenses, trying to determine if they need more insurance, or trying to figure out how to make the most of charitable contributions, we believe they need to review their complete financial situation first. This service offering is designed to be the foundation of a Client’s financial and retirement planning efforts. It can serve as either a standalone project or the starting point for more detailed engagements with our Firm. We will help Clients understand where they are currently and will develop a strategy that will help them meet their objectives.

**Typical hourly engagements are:**

🕒 **Retirement Roadmap** | \$1,800 - \$4,800+

A detailed financial planning engagement intended for those taking a serious look at when they might retire and are concerned that their portfolio needs a second opinion. Typically for those in their mid-40s to mid-60s. Includes written recommendations, retirement and cash flow projections, current portfolio review, asset allocation plan and proposed portfolio. Also includes basic review of estate planning and life, disability and long-term care insurance needs. Email and telephone support for 30 days\* after presentation to address questions. *\*During the 30 days post-presentation period, no updates of the analysis or additional projections are included.*

🕒 **Retirement Roadmap “Lite”** | \$1,500 - \$2,800+

A detailed financial planning engagement intended for those in the beginning stages of looking at when they might retire and wondering if they are on track to do so successfully. Typically for those in their mid-40s to late-50s. Includes written recommendations, retirement and cash flow projections, current portfolio review, asset allocation plan, and proposed portfolio. Email and telephone support is provided for 30 days\* after presentation to address questions. *\*During the 30 days post-presentation period, no updates of the analysis or additional projections are included.*

To begin most financial planning engagements, we first conduct an initial interview and gather data to assist the Client in determining specific needs, goals, objectives and tolerance for risk. We then prepare analyses of their current financial situation and possible future scenarios, when appropriate. Next, we present the analysis including a net worth statement, basic reviews of estate planning, taxes, life, disability and long-term care insurance needs; identification of other issues requiring further attention and a written summary of significant observations, assumptions and recommendations over each area that we have been engaged to provide advice. Upon completion of this presentation, the engagement is concluded. Depending on the scope of services, email and telephone support are generally included for 15-30 days after the presentation meeting to clarify any questions that may arise from the analysis. During this period, no additional analysis is provided, updated or adjusted for personal Client or market events.

The initial financial plan may not be enough for many Clients, but it will provide an assessment of their overall financial situation and identify areas where additional work may be needed. These may include retirement planning, investment portfolio allocation, college savings, insurance needs and estate planning. The Client may re-engage TFP as needed (as scheduling allows) or choose to participate in one of our on-going management service options. It is the Client’s responsibility to initiate any reviews (except in the instance of where the firm is engaged to provide Wealth/Investment Management services).

🕒 **Financial Check-Up - \$750+** – A single two-hour meeting that focuses on one or two financial issues

will be followed with a short summary of recommendations sent to you after the meeting. This is not a detailed financial review and will not result in an extensive financial plan. It is most appropriate for Clients with fairly simple financial circumstances. Appropriate topics for discussion include: 401(k) investment choices, college savings strategies, and basic retirement forecasting. Email and telephone support are included for fifteen (15) days\* after the meeting to discuss questions. *\*During the 15 days post-presentation period, no updates of the analysis or additional projections are included.*

- **Custom Tailored, Hourly or Flat Fee Engagements** – One time/project basis advice where the arrangement is focused on a particular topic or topics the Client has specific questions about can be arranged. The Firm also offers Comprehensive Financial Planning services that involves a complete financial review and the development of short-term and long-term strategies for financial success. We review the Client's current situation, explore alternatives, analyze social security choices, and determine how best to structure their investment, retirement, and personal assets to meet their financial goals. The scope of these engagements varies widely depending upon the Client's need and are generally most appropriate for those Clients with unique or complex circumstances.
- **Trustee Services** –As Trustees, the Firm has many responsibilities, which include at least the following. Confirming key elements upon assuming the role of trustee: Ensure the assets are safe and under Firm control, that the Firm understands the terms of the trust and who the beneficiaries are, and that all past account records are in order. Investing the trust assets (if applicable) in such a way as to make sure the assets are preserved and productive for current and future beneficiaries. Administering the trust according to its terms, including distributing trust assets to the beneficiaries, according to the trust agreement. Making any decisions that arise according to the provisions of the trust; this may include discretion over when beneficiaries may or may not receive payments. Preparing any records, statements, and tax returns as needed; also make any tax decisions relevant to the trust and keep all records on file. Communicating regularly with beneficiaries, including issuing statements of accounts and tax reports. Finding answers to any questions the Firm and the beneficiaries may have concerning the trust. The scope of these engagements varies widely depending upon the Trust document and Client needs and are generally most appropriate for those Clients with unique or complex circumstances.

4c. Client Tailored Relationships and Restrictions - As a fiduciary, TFP and its associates will act in the utmost good faith and performing in a manner believed to be in the best interest of its Clients. Each Client's portfolio is customized based on the Client's investment objectives. Clients may make requests or suggestions regarding the investments made in their portfolio.

The goals and objectives for each Client are documented in our Client files. Investment objectives are created that reflect the stated goals, tolerance for risk and investing timeframe of the Client. Clients may impose restrictions on investing in certain securities or types of securities.

4d: Wrap Fee Programs - The Firm does not sponsor or serve as portfolio manager for a wrap fee investment program.

#### Other notes

- ❖ With most services, the initial in-person meeting (which may be conducted remotely/online), is free of charge and is considered an exploratory interview to determine the extent to which the financial planning and investment services of the Firm may be beneficial to the Client and align with the services they are seeking. In some cases, if the meeting is longer than usual or more detailed in content and the Client chooses to move forward with the services of the Firm, the initial meeting is billed at applicable rates or factored in the estimated fee quote.
- ❖ When financial planning services focus only on certain areas of a Client's interest or need at their request, the Client must understand that their overall financial situation or needs may not be fully addressed due to limitations they have established.
- ❖ On more than an occasional basis, TFP furnishes advice to Clients on matters not involving securities, such as financial planning matters, taxation, and general estate planning.
- ❖ With the Client's consent, the Firm may work with the Client's other advisers (accountants, attorney,

insurance agents, etc.) to assist with coordination and implementation of agreed upon strategies. These other professionals are engaged directly by the Client on an as-needed basis and the Client should be aware that their other advisers will bill them separately for their services and these fees will be in addition to those of the Firm. Conflicts of interest will be disclosed to the Client in the unlikely event they should occur. The Firm does not provide accounting, legal or property and casualty insurance services. The Client is under no obligation to engage the services of any professional that may be recommended by the Firm. The Client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from the Firm and/or its representatives.

**Please Also Note:** If the Client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended by the Firm or otherwise, and a dispute arises thereafter relative to such engagement, the Client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged professional(s), and not the Firm, shall be responsible for the quality and competency of the services provided.

- ❖ The Firm will use its best judgment and good faith effort in rendering its services to its Clients. TFP cannot warrant or guarantee any particular level of account performance, or that account will be profitable over time. Past performance is not necessarily indicative of future results.
- ❖ Clients that determine to engage the Firm on a non-discretionary investment advisory basis must be willing to accept that the Firm cannot affect any account transactions without obtaining prior consent to any such transaction(s) from the Client. Thus, in the event that the Firm would like to make a transaction for a Client's account, and the Client is unavailable, the Firm will be unable to effect the account transaction (as it would for its discretionary clients) without first obtaining the Client's consent. After receiving advice from the Firm regarding what trades should be considered, in many cases, Clients that have engaged the Firm on a non-discretionary basis must place their own trades.
- ❖ 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) if permitted, leave the money in the former employer's plan, (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 the Firm recommends that a Client roll over their retirement plan assets into an account to be managed by the Firm, such a recommendation creates a conflict of interest if the Firm will earn a fee on the rolled over assets. If the Firm provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), Firm 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 the Firm. The Firm's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation. No client is under any obligation to roll over retirement plan assets to an account managed by the Firm, whether it is from an employer's plan or an existing IRA.

**Custodian Charges – Additional Fees.** As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Firm generally recommends that Fidelity Brokerage Services, LLC and National Financial Services, LLC (collectively "*Fidelity*") serve as the broker-dealer and custodian, respectively, for client investment management assets. Broker-dealers such as *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 *Fidelity*, do not currently charge fees on individual equity transactions, others do). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom the Firm and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "trade-away" fee charged by *Fidelity*). These fees/charges are in addition to Firm's investment advisory fee at Item 5 below. Firm does not receive any portion of these fees/charges.

- ❖ The Firm has a fiduciary duty to provide services consistent with the Client's best interest. As part of its investment advisory services, the Firm will review Client portfolios on a regular basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, mutual fund manager tenure, style drift, and/or a change in the Client's investment objective. Based upon these factors, there can be extended periods of time when the Firm determines that changes to a Client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by the Firm will be profitable or equal any specific performance level(s). The Client remains subject to the Firm's fee described in Item 5 below during periods of portfolio inactivity.
- ❖ In performing its services, the Firm shall not be required to verify any information received from the Client or, to the extent applicable, from the Client's other professionals, and is expressly authorized to rely thereon. Moreover, each Client is advised that it remains their responsibility to promptly notify the Firm if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising the Firm's previous recommendations and/or services.
- ❖ Firm continues to treat cash as an asset class. As such, unless determined to the contrary by Firm, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Firm'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), Firm 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, Firm's advisory fee could exceed the interest paid by the client's money market fund.
- ❖ The Firm may provide its Clients with access to one or more online account aggregation platforms (the "Platforms"). The Platforms allows a Client to view their complete asset allocation, including those assets that the Firm does not manage (the "Excluded Assets"). The Client may choose to engage the Firm to manage some or all of the Excluded Assets pursuant to the terms and conditions of a Wealth Management Agreement between the Firm and the Client. Unless engaged to do so, in writing, the Firm does not provide investment management, monitoring, or implementation services for the Excluded Assets and the Firm's service relative to the Excluded Assets is limited to reporting only. Therefore, the Firm shall not be responsible for the investment performance of the Excluded Assets. Rather, the Client and/or any investment adviser(s) that maintain management authority for the Excluded Assets, and not the Firm, shall be exclusively responsible for such investment performance. Without limiting the above, the Firm shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets.
- ❖ Except as may otherwise be provided by law, the Firm will not be liable to the Client, heirs, or assignees for any loss an account may suffer by reason of an investment decision made or other action taken or omitted by the Firm so long as the Firm's actions or omissions were consistent with the Firm's fiduciary duty; any loss arising from the Firm's adherence to the Client or their legal agent's direction; or any act or failure to act by a service provider maintaining an account.
- ❖ Federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith and, therefore, nothing contained in this document shall constitute a waiver of any rights that a Client may have under federal and state securities laws.
- ❖ Agreements may not be assigned to another outside party to fulfill without Client consent.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant 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, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

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

**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 Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Registrant's initial and ongoing investment advisory services. In addition to Registrant'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).

**4e. Assets Under Management (AUM)** - As of December 31, 2021, TFP had \$81,097,724 discretionary reportable Assets Under Management and \$12,028,353 in non-discretionary reportable Assets Under Management, for a total of \$93,126,077 in Assets Under Management.

## Item 5 - Fees and Compensation

**Types of Agreements** – The following agreements define the typical Client relationships and associated fees:

Townsend Financial Planning, LLC reserves the right (but is not obligated) to assess a lower fee to those Clients who had engaged the Firm prior to September 21, 2016, in addition to associates' and related persons' accounts maintained by the Firm through its selected custodian.

### 🕒 **Wealth Management and Investment Management–**

- Clients with manageable assets of less than \$750,000 receive *Investment Management* and will generally also receive *General Financial Planning* for a separate and additional annual fixed fee, unless the Client elects to opt out of such *General Financial Planning* service. Clients with manageable assets greater than \$750,000 will receive *Investment Management*, *General Financial Planning*, and *Advanced Planning* services for a single asset-based fee. In addition, Clients with manageable assets greater than \$750,000 and less than \$1,000,000 can elect to receive *Relationship Management* services for a separate and additional annual fixed fee. Clients with manageable assets greater than \$1,000,000 will receive *Investment Management*, *General Financial Planning*, *Advanced Planning*, and *Relationship Management* for one bundled asset-based fee. Generally, the fee structure is as follows:

Account Asset Value	Annualized Asset-Based Fee	General Financial Planning Annual Fee	Advanced Planning Annual Fee	Relationship Management Annual Fee
First \$200,000	1.00%	\$1,800	Only available with a separate agreement	
Between \$200,001 and \$500,000	1.00%	\$1,500	Only available with a separate agreement	
Between \$500,001 and \$750,000	1.00%	\$1,200	Only available with a separate agreement	
Between \$750,001 and \$1 million	1.00%	-----Included in service-----		\$2,000
Between \$1 million and \$2 million	1.00%	-----Included in service-----		
Next \$2 million	0.75%	-----Included in service-----		
Next \$5 million	0.50%	-----Included in service-----		
Thereafter	0.25%	-----Included in service-----		

Additional fixed fees for *General Financial Planning* and *Relationship Management*, to the extent applicable, may be paid in equal monthly installments, or in the same manner in which the Client's

annual asset-based fee is assessed. The specific arrangement will be agreed upon by the Client and the Firm in the Client's Wealth Management Agreement.

The Firm's fees are negotiable at the discretion of the Firm President. The amount of this fee is based on several factors including the size of the account, services rendered, amount of time expended and other account management considerations. If it is mutually agreed that the factors/services warrant an increase in the fee schedule outlined above, the maximum annual fee that will be charged is 2.00%. The fee schedule as well as services provided would be fully outlined in the Wealth Management Agreement and signed by both the Client and President.

In addition, Clients who engage the Firm for standalone Financial Planning (described below) and, within six (6) months, subsequently engage the Firm for Wealth Management services, will not incur additional fees for *General Financial Planning* during the first 4 calendar quarters of their Wealth Management engagement, regardless of the level of their manageable assets. This fee waiver is not available to clients who opt out of the Firm's *General Financial Planning* service, as discussed above.

Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies. Stocks and bonds may also be purchased or sold through a brokerage account when appropriate.

Brokerage firms charge brokerage commissions and/or transaction fees for certain securities trades. These brokerage commissions and transaction fees will be assessed in accordance with the relevant brokerage firm's brokerage commission and transaction fee schedule. TFP does not receive any compensation, in any form, from fund or brokerage companies.

Existing investments in Client accounts may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, interests in partnerships and various executive long-term incentive plans. Initial public offerings (IPOs) are not available through TFP.

'Householding' Accounts - At its discretion, the Firm may aggregate or "household" asset management accounts (including multiple accounts) for the same individual or two or more accounts within the same family, or accounts where a family member has power of attorney over another family member or incompetent person's account. However, should investment objectives be substantially different for any two or more household accounts requiring different investment approaches, the Firm reserves the right to apply its fee schedule separately to each account.

Billing Cycle and Fee Assessments - For the convenience of the Client, they may be billed either quarterly or monthly (in arrears or in advance) during each advisory billing cycle. A new account's first billing cycle may occur once the agreement is executed and accounts are funded. For partial periods under our management, the Client's account(s) will be assessed a pro-rated fee.

As specified in the Client's agreement with the Firm, as amended, the Firm's fees may be assessed based on either the value of the account assets at the end of the relevant fee period or on the average daily balance of the account during the relevant fee period. For fees based on the period end value, such fees may be adjusted for account deposits and withdrawals made during the fee period. Clients are advised to consult their agreements with the Firm, including any amendments, for their applicable fee arrangement.

Fee payments will generally be assessed within ten (10) business days following each billing period. For those accounts held by Client's selected brokerage firm or custodian that the Firm does not maintain an agreement, Clients will be directly billed, and fees will be due immediately upon receipt of the Firm's invoice.

For purposes of determining the value of assets upon which the Firm's fee is based, the asset value, securities and other instruments traded on a market for which actual transaction prices are publicly reported will be valued at the last reported sale price on the principal market in which they are traded. If there are no sales on such date, then they will be determined by the mean between the *closing bid* and *asked price* on such date. Other readily-marketable securities will be valued using a pricing

service or through quotations from one or more dealers. In the absence of a market value, TFP may seek an independent third-party opinion or through a good faith determination by a qualified Firm associate.

The applicable Wealth/Investment Management Services fees referenced include all fees and charges for the services of the Firm and its investment adviser representatives. The Client will be required to authorize in writing a selected broker/dealer or custodian (“service provider”) to deduct advisory fees, applicable transaction charges, etc., from Client accounts. All fees will be clearly noted on the Client statements and we will send written notice of the fees to be deducted from Client account which will include the total fee assessed, covered time period, calculation formula utilized, and the assets under management on which the fee has been based. In all instances, the Client bears responsibility for verifying the accuracy of fee calculations in their invoice/statement.

Fees for these services are negotiable at the discretion of the Firm President and services to be provided and the assessed fee will be detailed in the written engagement agreement. Lower fees for comparable services may be available from other sources.

**Potential Additional Fees** - Specific product recommendations made by the Firm will usually be for “no-load” (i.e., no commission) products, if available. In some cases, such as with insurance products, there may not be a suitable selection of no-load products available for recommendation, however, neither the Firm nor its associates will be paid a commission on the purchase.

Any transactional or custodial fees assessed by the selected service provider and/or individual retirement account or qualified retirement plan account termination fees are borne by the Client and are as provided in the current, separate fee schedule of the selected service provider. Fees paid to the Firm for its services are separate from any charges the Client may pay for mutual funds, ETFs/ETNs, or other investments of this type. The Firm does not receive “trailer” or SEC Rule 12b-1 fees from any investment company.

Further information about our fees in relationship to our business practices are noted in Item 12 of this document.

- ⊙ **Retirement Plans (ERISA, 401(k))/Retainer Service Agreement** - TFP provides fiduciary services to 401(k) plan sponsors and other retirement plans or plan participants. Fees charged may be hourly, a percentage of assets or a fixed fee based on plan size, participants and overall complexity. The fee descriptions above would apply depending on the customized arrangement established in writing with the Client.

Retainer Service fees are billed in advance, quarterly or monthly in most instances and starts as soon as the engagement is formalized by the signing of the agreement. Because the initial work with the Client is the most time-intensive for our staff, we ask Clients for a 9-month initial commitment to recoup the cost of our initial work. After the first 9 months, either party can cancel the Retainer arrangement at any time upon written notice. The agreement automatically renews annually, and the fee is subject to periodic review for changes in complexity, assets or income specific to the circumstances of a Client. In addition, the formula we use to translate complexity factors into Client fee amounts is subject to change over time.

- ⊙ **Participant Directed Retirement Plans** – Registrant may also provide investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a Retirement Plan Services Agreement between Registrant and the plan. For such engagements, Registrant shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by Registrant), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process.

- ⊙ **Financial Planning Agreement** – This agreement is used for Financial Planning and Custom Tailored, Hourly or Flat Fee, and Financial Check-up/Live Planning engagements as described in Item 4b.

Financial planning and consultation services fees are generally paid on a fixed fee or project-based

rate and assessed based on the current hourly rates and an estimate of the number of hours involved in the project. An example\* of our schedule would be:

- ⊙ Retirement Roadmap - \$1,800 - \$4,800+
- ⊙ Retirement Roadmap "Lite" - \$1,500 - \$2,800+
- ⊙ Financial Check Up - \$750+
- ⊙ Customized Engagements - \$75-\$300 per hour, depending on Advisor/Administrative Staff
- ⊙ Small Business Retirement Planning - Customized

*\*The noted fees are a guideline. Actual fee estimates may differ due to specific Client circumstances.*

The fee for Project planning work is predicated upon the facts known at the start of the engagement. The fee generally ranges from \$1,200 to \$5,000. The fee is quoted as either a flat fee or is based upon our estimate of the actual time that will be spent on the project using our hourly rate of \$75-\$300 per hour depending on Advisor/Administrative Staff. The Project fee requires a deposit of 50% of the estimated fee range at the initial engagement with balance due upon presentation of the recommendations. The initial deposit may be paid via paper or electronic check or debit/credit card. In general, it is against our policy to accept cash as payment for any fees. Clients will be invoiced for any future services performed after the initial engagement. Payment of such invoices shall be made within twenty (20) days of receipt.

Since financial planning is a discovery process, situations occur wherein the Client is unaware of certain financial exposures or predicaments. In the event that the Client's situation is substantially different than disclosed at the initial meeting, a revised Project fee will be provided for mutual agreement. The Client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for a reasonable timeframe, typically for one month after delivery of the plan (if Firm scheduling allows). Follow-up implementation work is billed separately at the current hourly rate & an Addendum to the agreement will be signed by both TFP and the Client. Projects that require spanning more than three months in duration will be billed quarterly in arrears.

If the Client elects to further engage the Firm to provide Wealth/Investment Management Services, a portion of certain financial planning services fees during the initial engagement year may be waived at the discretion of the Firm President.

In limited situations, Client fees may be paid by a third-party on behalf of the Client. For example, FinancialPoint, a subsidiary of ComPsych Corp., will pay financial planning fees on behalf of Clients receiving benefits under a Servicemembers' Group Life Insurance policy.

- ⊙ **Trustee Services** – Generally, the fee for administrative trustee services is in addition to the Wealth/Investment Management Services and is 0.50% annualized, calculated and billed in the same way as the Wealth/Investment Management Services fee.

In all cases, fees for these services are negotiable at the discretion of the Firm President and services to be provided and the assessed fee will be detailed in the written engagement agreement.

**5c. Third Party/Other Fees** - All fees paid to the Firm for investment advisory services are separate and distinct from the fees and expenses charged by custodians, broker dealers, mutual funds and other third parties. All fees and charges incurred in connection with transactions for the account will be paid out of the assets in the account and are in addition to the investment management fees paid to TFP. These potential fees include but are not limited to mutual funds fees (including 12b-1 fees), trading fees, transaction fees, exchange fees, transfer taxes, custodial fees, administrative fees for MF/ETFs and wire transfer and electronic funds processing fees. The Client bears the responsibility for verifying the accuracy of fee calculations. TFP recommends that the Client obtain a complete schedule of fees from their brokerage firm or outside investment manager. It is also recommended that the Client review the investment prospectus for a complete explanation

of these fees and expenses.

Most trading transaction charges are usually small and incidental to the purchase or sale of a security. Generally, the selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

TFP does not receive any portion of these other fees nor does receive commissions or third-party payments of any kind. The only compensation received by TFP is in the form of fees paid directly by the Client.

Expense Ratios - Mutual funds and Exchange Traded Funds (ETF) generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50% means that the fund company charges  $\frac{1}{2}$  of 1% for their services annually, which equates to \$5 annually on a \$1,000 investment. These fees are in addition to the fees paid by the Client to TFP.

Past Due Accounts and Termination of Agreement - TFP fees are paid in advance, arrears or at the time of service, as outlined in each service details in Item 5b above.

With the exception of the first 9-month period of a new Retainer Service Agreement, a Client may terminate any of the aforementioned agreements at any time by notifying TFP in writing and paying the accrued balance for the time spent on the engagement prior to notification of termination. If the Client made an advance payment, TFP will refund any unearned portion of the advance payment.

Likewise, TFP may terminate any of the aforementioned agreements (Retainer or Financial Planning) at any time by notifying the Client in writing. If the Client made an advance payment, TFP will refund any unearned portion of the advance payment.

If a Financial Planning Service agreement is terminated within 5 business days of signing, all pre-paid fees will be refunded. After that, any unearned fees would be refunded on a pro-rata basis and any balances owed would be due immediately.

Either TFP or the Client may terminate the Wealth Management Agreement by providing 30 days' written notice. When an agreement is terminated, any pre-paid, unearned fees will be refunded based on the number of days remaining in the quarter after termination. Refunds will be made in the month following the end of the quarter in which the contract was terminated.

When an agreement is terminated, all assets may need to be transferred from the current custodian. The Client will be responsible for paying all fees including full quarterly custodial administrative fees, account closure fees, mutual fund fees and all trading costs due to the termination. The Custodian may assess additional fees for transfer of illiquid investments. If there is insufficient cash in the account, the liquidation of some securities may be used to pay the fees. Prior to termination of an agreement, TFP can provide a good faith estimate of these fees.

TFP reserves the right to stop work on any account that is more than 7 days overdue. In addition, the Firm reserves the right to terminate any financial planning engagement where a Client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the Firm's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded promptly.

End Notes to Advisory Services and Fees - In performing any of its services, TFP shall not be required to verify any information received from the Client or from the Client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. TFP may recommend the services of itself and/or other professionals for implementation purposes. Clients are advised that a conflict of interest exists if TFP recommends its own services and if TFP recommends American Trust as an investment manager because TFP's president used to work for the company. The Client is under no obligation to act upon any of the recommendations made by TFP and/or engage the services of any such recommended professionals, including TFP itself. In the event of engaging TFP for the Financial Planning, Retirement Planning and Custom Tailored, Hourly or Flat Fee engagements as described in Item 4b, Client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from TFP. Moreover, each Client engaged in any of our services is advised that it remains his/her/its responsibility to promptly notify TFP if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing,

evaluating, or revising TFP's previous recommendations and/or services.

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

Sharing of Capital Gains - Fees are not based on a share of the capital gains or capital appreciation of managed securities.

TFP does not use a performance-based fee structure based on a share of capital appreciation of the funds of any advisory contract, also known as performance-based fee, 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.

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

Description - TFP generally provides investment advice and financial planning to individuals, pension and profit-sharing plans, trusts, estates, or small business entities.

Client relationships vary in scope and length of service. The Firm does not require minimum income levels, dollar value of assets or other conditions for its financial planning and investment consultation services.

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

Methods of Analysis - If the Firm is engaged to provide investment consultation through our Financial Planning service or Wealth/Investment Management Service, the Client's current financial situation, needs, goals, objectives and tolerance for risk are initially evaluated. Asset allocation and investment objective decisions are made and discussed with the Client to, in the Firm's best judgment, meet the Client's objectives while minimizing risk exposure.

Generally, we first gather information about the Client's personal financial situation and then conduct a meeting with the Client to clarify the Client's personal financial information and determine the Client's specific needs, objectives, goals and tolerance for risk. We employ a fundamental, long-term, buy-and-hold philosophy in regard to investment advice.

We believe it is important that each Client know that our strategy is tailored to best meet their goals and needs. Each Client presents a unique profile, and we may employ one or more strategies or methods to meet their goals.

Modern Portfolio Theory - TFP generally adheres to the principles of Modern Portfolio Theory, which advocates investing across different asset classes to increase diversity and reduce risk. Based on our research and the research of others, we will generally diversify Client assets among cash equivalents (money market funds); high-quality, short and intermediate-term bonds; large, mid and small company stocks; and growth (higher-priced) and value (lower-priced) stocks in the U.S. and foreign developed markets. In certain circumstances, large, small, growth, and value stocks in select emerging markets and/or shares of real estate investment trusts (REITs) and commodity indexes will be included in diversified portfolios.

Asset Allocations - TFP recommends a mix of asset classes for Client portfolios based on an assessment of the Client's long-term financial objectives. Where appropriate, TFP will recommend including high-quality, short and intermediate-term bonds (within a broadly diversified index or asset class mutual fund) to reduce overall portfolio risk, generate a more predictable cash flow (interest income), facilitate portfolio rebalancing, and provide a hedge against inflation.

If a Client's objective is a higher annual expected return and they are willing to accept a higher degree of risk, TFP will generally recommend a portfolio with greater allocations to stocks and small company and value stocks specifically (using index or asset class mutual funds). Recommended stock allocations will generally be globally diversified among the U.S. and foreign developed markets. In certain circumstances, TFP may include emerging markets and REITs in limited percentages. Our recommended asset allocation is generally not influenced by current market conditions. However, the allocation is often altered when a Client's long-term investment objectives have changed.

Rebalancing - Asset allocations for a portfolio will change as financial markets rise and fall and the specific assets of different parts of the portfolio change. This creates the opportunity to selectively rebalance the

portfolio in order to bring asset class percentages back to the policy targets. When it is determined appropriate, asset classes that have risen beyond predetermined limits are sold by an amount that brings the allocation back in line with policy targets, and those that have fallen in value are purchased in the same way. This is a method of buying low and selling high that is not based on trying to predict the direction of markets or asset returns.

Studies show, this rebalancing has the effect of enhancing portfolio returns while maintaining the agreed-upon risk. In order to limit rebalancing transactions and the costs associated with buying and selling ETFs/mutual funds through the chosen custodian, TFP has pre-determined ranges in which allocations may vary and at which rebalancing is initiated.

**Specific Investments** - While we generally select ETFs, mutual funds or similar securities, we may at times select individual securities or build individual stock portfolios for our Clients. In these cases, TFP examines each securities management, financial condition, and market position and ensures that any purchases of individual securities work towards the Client's portfolio goals, investment horizons and exposure to risk. Individual stocks present potential risks as prices of individual securities can move up or down due to general economic conditions, industry specific conditions, government regulations or corporate management, among other factors.

**8b: Investment Strategy Risks** - As recent global and domestic economic events have indicated, performance of any asset or asset class is not guaranteed and can indeed be unpredictable. As a result, there is a risk of loss of the assets we manage as a result of both allocation and the status of the markets when we rebalance.

While all current research, academia and data allow us to understand and map asset classes and their risk and return, there is a risk that they, or our analysis, are wrong and will lead to losses. Additionally, correlations among asset classes may be judged incorrectly, which also may incur risk of loss as diversification may not be properly balanced. Additionally, minor or severe market conditions may significantly drive gains or losses in one asset class over another, causing unexpected losses. There is a risk that rebalancing at any moment in time will not match current market directions, leading to risk of loss.

**Investment Strategies** - We recommend a proper asset allocation based on the Client's personal financial situation. We believe, and studies show that asset allocation is a key component of investment portfolio design. We make asset allocation and investment policy decisions using our best judgment in order to help the Client achieve their overall financial objectives and goals while minimizing risk exposure. We believe that the appropriate allocation of assets across diverse investment categories (i.e. stock vs. bond, foreign vs. domestic, large cap. vs. small cap., high quality vs. high yield, etc.) is the primary determinant of portfolio returns and is critical to the long-term success of a Client's financial objectives and goals.

The Firm employs fundamental, long-term, buy-and-hold philosophies and approaches in investment selection and implementation strategies. Passively-managed index funds and/or exchange-traded funds typically play a large role as core investments. We recommend specific investments and primarily utilize low-cost, no-load, index investments to design their investment plan.

Recommendations provided are based on publicly available reports, analysis and research materials, computerized asset allocation modeling programs and various industry subscription services (i.e., Morningstar).

**Risk of Loss** - All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. While we believe our investment strategy is designed to potentially produce the highest possible return for a given level of risk, it cannot guarantee that an investment objective or goal will be achieved. Some investment decisions made by us may result in loss, which may include the original principal amount invested. The Client must be able to bear the various risks involved in investing, which may include market risk, liquidity risk, interest rate risk, currency risk or sociopolitical risk, among others. These risks are further defined below:

- **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 is caused by external factors independent of a

security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- *Sociopolitical Risk*: The impact on the market in response to political and social events such as a terrorist attack, war, pandemic, or elections.
- *Country Risk*: If investing in securities from a single country – even the US – there is a possibility that occurrences could adversely impact the prices of the securities associated with that country. These occurrences could include economic troubles, changes in political structure or leadership, and international trade policies. Although similar to market risk, this risk is isolated to, and therefore solely impacts security prices of, a particular country.
- *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.
- *Currency Risk*: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *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.
- *Business Risk*: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *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.
- *Default Risk*: In times of economic hardship, companies may be unable to pay back creditors, aka bondholders. This risk may be elevated when dealing with companies which have lower credit ratings. It exists when investing both directly in a company, and indirectly through a mutual or exchange-traded fund.

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### **Item 9 - Disciplinary Information**

We do not have any legal, financial, or other “disciplinary” items to report. We are obligated to disclose any disciplinary event that would be material to the Client when evaluating our Firm and its associated persons.

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

Neither TFP, nor any of its personnel are affiliated with or maintain a material relationship with another financial industry entity. Our policies require that we conduct business activities in a manner that avoids actual or potential conflicts of interest between the Firm, personnel, and the Client, or that may otherwise be contrary to law. We will provide disclosure to the Client, prior to and throughout the term of an engagement, of any conflicts of interest which will or may reasonably compromise our impartiality or independence.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material

financial interest.

- C. The Registrant and/or representatives of the Registrant buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that Access Persons of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12 - Brokerage Practices**

### **Brokerage Practices**

In the event that the client requests that Registrant recommend a broker-dealer/custodian for execution and/or custodial services, Registrant generally recommends that investment advisory accounts be maintained at Fidelity Brokerage Services, LLC and National Financial Services, LLC (collectively “*Fidelity*”) as broker-dealer and custodian, respectively. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall advise on the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Registrant considers in recommending Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Broker-dealers such as Fidelity can charge transaction fees for effecting certain securities transactions (See Item 4 above). To the extent that a transaction fee will be payable by the client to Fidelity, the transaction fee shall be in addition to Registrant’s investment advisory fee referenced in Item 5 above.

To the extent that a transaction fee is payable, Registrant shall have a duty to obtain best execution for such transaction. However, that does not mean that the client will not pay a transaction fee that is higher than what another qualified broker-dealer might charge to effect the same transaction where Registrant determines, in good faith, that the transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, transaction rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible rates for client account transactions.

**Research and Benefits:** Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant can receive from Fidelity (or another broker-dealer/custodian, investment manager, platform sponsor, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that can be obtained by Registrant can be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services (including those provided by unaffiliated vendors and professionals), discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support (including client events), computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations. Certain of the benefits that could be received can also assist Registrant to manage and further develop its business.

Registrant currently pays quarterly fee to have access to the Fidelity platform. This fee is not passed through to clients.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as the result of this arrangement. There is no corresponding commitment made by Registrant to Fidelity, or any other any entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**ANY QUESTIONS: Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangements.**

**Directed Brokerage.** Registrant recommends that its clients utilize the brokerage and custodial services provided by Fidelity. The Firm generally does not accept directed brokerage arrangements (but could make exceptions). A directed brokerage arrangement arises when a client requires that account transactions be effected through a specific broker-dealer/custodian, other than one generally recommended by Registrant (i.e., Fidelity). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Firm will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. **Please Also Note:** Higher transaction costs adversely impact account performance. **Please Further Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**Order Aggregation.** Transactions for each client account generally will be effected independently, unless Firm decides to purchase or sell the same securities for several clients at approximately the same time. The Firm may (but is not obligated to) combine or "batch" such orders for individual equity transactions (including ETFs) with the intention to obtain better price execution, to negotiate more favorable commission rates, or to allocate more equitably among the Firm's clients differences in prices and commissions or other transaction costs that might have occurred had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. In the event that the Firm becomes aware that a Firm employee seeks to trade in the same security on the same day, the employee transaction will either be included in the "batch" transaction or transacted after all discretionary client transactions have been completed. The Firm shall not receive any additional compensation or remuneration as the result of such aggregation.

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

Reviews are generally conducted by Melody W. Townsend, CFP® or Harrison Nicholas "Nick" Bailey, CFP®.

Periodic Reviews - Investment Management Clients have reviews conducted based on the Client's investment objectives or plan, but no less than annually. More frequent reviews may also be triggered by a change in the Client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; loss of confidence in corporate management; or changes in macro-economic climate.

In the case of ongoing Retainer Clients, accounts are typically reviewed once or twice per year, depending on the agreed upon services, and may be initiated either by the Client or by the Firm.

In the case of Financial Planning and Hourly Clients, recommendations are provided at the time the financial plans are presented. Periodic financial reviews are recommended but it is up to the Client to initiate those reviews since the agreement terminates upon delivery of the presentation of recommendations.

Regular Reports - All Wealth/Investment Management Clients receive reports as needed, but no less than annually, on representative investments recommended specifically by TFP. Wealth/Investment Management Clients also receive standard account statements from the custodian where their accounts are held on a monthly or quarterly basis.

Financial Planning and Hourly Service Clients do not generally receive regular reports from TFP. In the case of Retainer Clients, periodic reviews are conducted once or twice per year (depending on the written agreement) and typically consist of a detailed summary of financial assets, a discussion of portfolio performance and recommended changes and supporting documents such as investment portfolio Snapshots.

TFP reminds Clients to notify us of any changes to their personal situation, financial or otherwise as it may impact the planning recommendations.

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

TFP does not receive, nor does it pay, any fees for Client referrals.

Incoming Referrals - TFP has been fortunate to receive many Client referrals over the years. The referrals have come primarily from current Clients, other professionals and from members of the public who have visited the website of the National Association of Personal Financial Advisors, CFP Board and/or Garrett Planning Network and have searched for Firms by utilizing their planner search tools. The Firm does not compensate referring parties for these referrals. [www.feeonlynetwork.com](http://www.feeonlynetwork.com) (we pay a fee to have enhanced services on their site but we do not pay to be listed or for referrals).

Referrals Out - TFP does not accept referral fees or any form of remuneration from other professionals when a prospect or Client is referred to them.

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#### **Item 15 - Custody**

In most all cases, qualified custodians such as Fidelity, TD Ameritrade, Vanguard, Valic, Transamerica, TIAA-CREF, American Trust, etc. holds Clients' accounts. Based on the language of the Level 2 Asset Movement Authorization for accounts at Fidelity, the Firm has custody as Level 2 permits the Advisor the authority to direct Fidelity with regard to the timing, amount and reason of any distribution(s) to apply on behalf of the Client without direct instructions from the Client. The Firm is also deemed to have custody of Fidelity accounts with Level 1 First and Third Party Authorization, as it permits the Advisor the discretion to determine the amount and timing of transfers, specifically to third parties. However, it is the policy of the Firm to only allow the Client to have withdrawals directed to their address of record or to a receiving account with like registration.

There are Wealth/Investment Management or other Clients for which TFP has custody because the Firm possess the User ID and Password for a Client's online access for their bank accounts/investment/retirement accounts because their custodian does not have a separate access available for an outside advisor. For those custodians that provide it, the Client is notified via Two-factor authentication when logins occur for TFP to review or rebalance their account(s). In addition, the Client receives e-mail confirmations and account statements directly from their service provider outlining all transactions. The account statements are typically provided on at least a quarterly basis or as account transactions occur.

With most of TFP's service agreements, the Client will request that their fee be paid by fee-deduct from their investment portfolio. In these cases, TFP will provide the Client with an itemized fee invoice. TFP urges the

Client to review these invoices each period for accuracy.

TFP also provides Trustee services and in those cases, TFP has custody of Client accounts. TFP reports that it maintains custody of Client accounts in TFP's Form ADV Part 1 at Item 9. These practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940 and state law equivalents.

Account Statements - All assets are held at unaffiliated qualified custodians. The custodians provide account statements directly to Clients at their address of record at least quarterly. Clients who opt to have fees deducted directly from their accounts will see this deduction itemized on their statement. To the extent that TFP provides Clients with periodic account statements or reports, the Client is urged to compare any statement or report provided by TFP with the account statements received from the account custodian. The account custodian does not verify the accuracy of the Firm's advisory fee calculation.

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

Wealth/Investment Management - Through custodians, Clients generally provide signed permission to grant TFP on-going and continual discretionary access to their accounts. This discretionary authority allows TFP to manage Client accounts according to the investment strategies without calling the Client in advance of appropriate transactions. The Firm has the discretion to determine the securities to be bought or sold, amount of securities and the broker or dealer to be used for a purchase or sale of securities for a Client's account. In the cases where the Firm is not given discretion, permission must be received from the Client to make any trades on a non-discretionary basis, or the Client is responsible for executing the trades themselves. Clients who engage TFP on a discretionary basis may, at any time, impose reasonable restrictions, in writing, on TFP's discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, etc.).

Limited Power of Attorney - In many cases a limited power of attorney is signed by the Client. This is a trading authorization for on-going Retainer Clients and Wealth Management Clients. Clients sign this form so that the Firm may execute the transactions for the Client. In the case of as-needed Project Clients, a limited power of attorney is not generally sought, and it is the Client's responsibility to execute all trades.

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

TFP does not vote Client securities. The Client will maintain responsibility for directing the manner in which proxies are voted, as well as all other elections relative to mergers, acquisitions, tender offers or other events pertaining to the Client's investments. The Client will receive their proxies and other solicitations directly from the custodian or transfer agent for their investments. Clients are encouraged to vote their own proxies.

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

TFP does not require prepayment of more than \$500 in fees per Client six months or more in advance. TFP does not have any financial conditions that would impede the Firm from fulfilling its contractual commitments. Neither TFP nor Melody W. Townsend has ever filed bankruptcy.

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### **Item 19 - Requirements for State-Registered Advisers**

TFP's Managing Member and Chief Compliance Officer is Melody Townsend. More information about Ms. Townsend can be found in her entry in TFP's ADV Part 2B Brochure Supplement. Neither TFP, nor its related persons, have any outside relationship or arrangement that is material to TFP's advisory business, except as otherwise discussed herein or in TFP's ADV Part 2B Brochure Supplement. As discussed above in Item 6, TFP is not compensated on a performance fee basis. Neither TFP nor any management person has any reportable disciplinary information. Neither TFP, nor its representatives, has any relationship or arrangement with any issuer of securities.

# TOWNSEND FINANCIAL PLANNING, LLC

## PRIVACY NOTICE

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### Privacy Notice

Townsend Financial Planning, LLC (“TFP”) maintains physical, electronic, and procedural safeguards that comply with federal standards to protect its clients’ nonpublic personal information (“information”). Through this policy and its underlying procedures, TFP attempts to secure the confidentiality of customer records and information and protect against anticipated threats or hazards to the security or integrity of customer records and information.

It is the policy of TFP to restrict access to and/or the sharing of all current and former clients’ information (i.e., information and records pertaining to personal background [including social security number and address], investment objectives, financial situation, financial planning issues, tax information/returns, investment holdings, account numbers, account balances, etc.) to those employees and affiliated/nonaffiliated entities who need to know that information in furtherance of the client’s engagement of TFP.

TFP shall disclose, as necessary, the client’s information: (1) to service providers in order establish and maintain the client’s accounts and process transactions (i.e., broker-dealer, account custodian, record keeper, proxy management service provider, insurance company, etc.); (2) required to do so by judicial or regulatory process; or (3) otherwise permitted to do so in accordance with applicable federal and/or state privacy regulations.

However, TFP does not, and shall not, disclose or share information with any affiliated or unaffiliated persons, entities or service providers for marketing or any other purposes or reasons not referenced above.

ANY QUESTIONS OR CONCERNS: Should you have any questions regarding the above, please contact **Melody W. Townsend, Chief Compliance Officer**.

# TOWNSEND FINANCIAL PLANNING, LLC

## BUSINESS CONTINUITY PLANNING DISCLOSURE

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### **Business Continuity Planning Disclosure**

Townsend Financial Planning, LLC has developed a Business Continuity Plan on how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan.

**Contacting Us** – If after a significant business disruption you cannot contact us as you usually do at (859) 498-2020 or [melody@townsendplanning.com](mailto:melody@townsendplanning.com), you should call our alternative number (859) 497-1395 or go to our website at [www.townsendplanning.com](http://www.townsendplanning.com). If you cannot access us through either of those means, you should contact your custodian: Fidelity Investments, Vanguard, TIAA-CREF, etc. for instructions on how it may assist you, for example, provide prompt access to funds and securities, enter orders and process other trade-related transactions, or assist with cash and security transfer transactions for your customers.

**Our Business Continuity Plan** – We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our business continuity plan addresses: data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our customers prompt access to their funds and securities if we are unable to continue our business.

Our primary custodian, Fidelity, backs up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our primary custodian that its objective is to restore its own operations and be able to complete existing transactions and accept new transactions and payments within a short period of time. Your orders and requests for funds and securities could be delayed during this period.

**Varying Disruptions** – Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within a short time period. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area and recover and resume business as quickly as possible. In either situation, we plan to continue in business, transfer operations to our primary custodian, if necessary, and notify you through our website [www.townsendplanning.com](http://www.townsendplanning.com) or our customer emergency numbers, (859) 498-2020 or (859) 497-1395 how to contact us. If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our customer's prompt access to their funds and securities.

**For more information** – If you have questions about our business continuity planning, you can contact us at (859) 498-2020 or [melody@townsendplanning.com](mailto:melody@townsendplanning.com).



## **TOWNSEND FINANCIAL PLANNING, LLC**

A Registered Investment Adviser in the State of Kentucky

### ***Disclosure Brochure Supplement - Form ADV Part 2B 2022***

Main Office: 36 East Main Street, Mt. Sterling, KY 40353  
Meeting Location: 710 East Main Street, Lexington, KY 40502  
Meeting Location: 7508 New LaGrange Road, Suite 6, Louisville, KY 40222  
Main Phone: 859-498-2020  
Lexington Phone: 859-299-2020  
Louisville Phone: 502-630-0707  
Fax: 859-274-4122  
[Melody@TownsendPlanning.com](mailto:Melody@TownsendPlanning.com)  
[www.TownsendPlanning.com](http://www.TownsendPlanning.com)

This brochure supplement provides information about Melody W. Townsend and Harrison Nicholas Bailey that supplements the TOWNSEND FINANCIAL PLANNING, LLC brochure. You should have received a copy of that brochure. Please contact Melody W. Townsend at 859-498-2020 or [Melody@TownsendPlanning.com](mailto:Melody@TownsendPlanning.com) if you did not receive TOWNSEND FINANCIAL PLANNING, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Melody W. Townsend and Harrison Nicholas Bailey is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Melody W. Townsend, CFP®**, born 1979

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### **Education**

Certified Financial Planner (CFP®) – CFP Board of Standards (2004)

BBA Business Administration: Finance – Morehead State University (2002)

### **Business Background**

TOWNSEND FINANCIAL PLANNING, LLC - President (2006-Present)

American Trust – Trust Administrator (2003-2006)

D. Scott Neal, Inc. – Financial Planning Analyst (2001-2003)

### **CFP® Certification Requirements**

**Education:** The two-part education requirement includes both (1) completing coursework on financial planning through a CFP Board Registered Program, and (2) holding a bachelor's degree or higher (in any discipline) from an accredited college or university. You must complete the coursework before you can take the CFP® exam. You have 5 years from the date you pass the CFP® exam to complete the bachelor's degree requirement.

**Examination:** Passing the CFP® exam demonstrates that you've attained the knowledge and competency necessary to provide comprehensive personal financial planning advice. The CFP® exam is a 170-question, multiple-choice test that consists of two 3-hour sessions over one day. The exam includes stand-alone and scenario-based questions, as well as questions associated with case studies.

**Experience:** The experience requirement prepares you to provide personal financial planning to the public without supervision. You can fulfill the experience requirement either before or after you take the exam. You need to complete either 6,000 hours of professional experience related to the financial planning process, or 4,000 hours of apprenticeship experience that meets additional requirements.

**Ethics:** The ethics requirement is the final step on your path to CFP® certification. It indicates you've agreed to adhere to high ethical and professional standards for the practice of financial planning, and to act as a fiduciary when providing financial advice to your client, always putting their best interests first.

Once certified, CFP® professionals are required to complete 30 hours of continuing education (CE) each reporting period: 2 hours of CFP Board approved Ethics CE, and 28 hours of CE covering one or more of CFP Board's Principal Topics. The CE requirement is effective immediately upon initial certification. In addition to the biennial continuing education requirement, all CFP® professionals voluntarily disclose any public, civil, criminal or disciplinary actions that may have been taken against them during the previous two years as part of the renewal process. Learn more at [www.cfp.net](http://www.cfp.net).

**Disciplinary Information** - Neither TFP, nor any of its personnel have been the subject of a reportable legal or disciplinary event.

**Other Business Activities** - In addition to her position with TFP, Ms. Townsend also holds the elected office of Montgomery County Commissioner for the period 2019 – 2022. This position is non-investment related. Ms. Townsend generally spends less than 25 hours per month to fulfill the duties of this position.

**Additional Compensation** - Neither TFP nor any of its personnel accept or receive additional economic benefit (i.e. sales awards or other prizes) for providing advisory services to Clients.

**Supervision** - Ms. Townsend serves as the President of Townsend Financial Planning, LLC, and as such is not subject to additional supervision.

**Requirements for State-Registered Advisers** – Ms. Townsend has no additional legal or disciplinary events for disclosure. Ms. Townsend has never been the subject of a bankruptcy petition.

**Harrison Nicholas “Nick” Bailey, CFP®**, born 1995

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### **Education**

Certified Financial Planner (CFP®) – CFP Board of Standards (2020)

Series 65 Registered Investment Advisor – (2019)

BA Business Administration: Finance – Morehead State University (2017)

### **Business Background**

TOWNSEND FINANCIAL PLANNING, LLC – Financial Advisor (2020-Present)

TOWNSEND FINANCIAL PLANNING, LLC – Associate Financial Planner (2016-2020)

### **CFP® Certification Requirements**

**Education:** The two-part education requirement includes both (1) completing coursework on financial planning through a CFP Board Registered Program, and (2) holding a bachelor's degree or higher (in any discipline) from an accredited college or university. You must complete the coursework before you can take the CFP® exam. You have 5 years from the date you pass the CFP® exam to complete the bachelor's degree requirement.

**Examination:** Passing the CFP® exam demonstrates that you've attained the knowledge and competency necessary to provide comprehensive personal financial planning advice. The CFP® exam is a 170-question, multiple-choice test that consists of two 3-hour sessions over one day. The exam includes stand-alone and scenario-based questions, as well as questions associated with case studies.

**Experience:** The experience requirement prepares you to provide personal financial planning to the public without supervision. You can fulfill the experience requirement either before or after you take the exam. You need to complete either 6,000 hours of professional experience related to the financial planning process, or 4,000 hours of apprenticeship experience that meets additional requirements.

**Ethics:** The ethics requirement is the final step on your path to CFP® certification. It indicates you've agreed to adhere to high ethical and professional standards for the practice of financial planning, and to act as a fiduciary when providing financial advice to your client, always putting their best interests first.

Once certified, CFP® professionals are required to complete 30 hours of continuing education (CE) each reporting period: 2 hours of CFP Board approved Ethics CE, and 28 hours of CE covering one or more of CFP Board's Principal Topics. The CE requirement is effective immediately upon initial certification. In addition to the biennial continuing education requirement, all CFP® professionals voluntarily disclose any public, civil, criminal or disciplinary actions that may have been taken against them during the previous two years as part of the renewal process. Learn more at [www.cfp.net](http://www.cfp.net).

**Disciplinary Information** - Neither TFP, nor any of its personnel have been the subject of a reportable legal or disciplinary event.

**Other Business Activities** – Mr. Bailey is not currently involved in any outside business activities.

**Additional Compensation** - Neither TFP nor any of its personnel accept or receive additional economic benefit (i.e. sales awards or other prizes) for providing advisory services to Clients.

**Supervision** - Mr. Bailey is supervised by Melody W. Townsend, CFP®, President.

**Requirements for State-Registered Advisers** – Mr. Bailey has no additional legal or disciplinary events for disclosure. Mr. Bailey has never been the subject of a bankruptcy petition.