

## **Item 1 – Cover Page**

### **Firm Brochure**

(Part 2A of Form ADV)

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This Brochure provides information about the qualifications and business practices of The Harbor Group, Inc. If you have any questions about the contents of this Brochure, please contact us at: 603-668-0634, or by email at: [info@harbortgroup.com](mailto:info@harbortgroup.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

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

References to The Harbor Group, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

March 6, 2024

## Item 2 – Material Changes

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### Material Changes

There have been no material changes to this ADV Part 2A Brochure since the March 8, 2023 annual update filing.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 603-668-0634 or by email at: [info@harborgroup.com](mailto:info@harborgroup.com).

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### Any Questions

The Harbor Group, Inc.'s Chief Compliance Officer, Christopher MacBean, remains available to address any questions that a client or prospective client has about this Brochure.

## Item 3 – Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	i
Item 3 – Table of Contents .....	1
Item 4 – Advisory Business .....	2
Item 5 – Fees and Compensation .....	11
Item 6 – Performance-Based Fees .....	12
Item 7 – Types of Clients.....	12
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	13
Item 9 – Disciplinary Information .....	16
Item 10 – Other Financial Industry Activities and Affiliations .....	17
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	17
Item 12 – Brokerage Practices .....	18
Item 13 – Review of Accounts.....	22
Item 14 – Client Referrals and Other Compensation.....	22
Item 15 – Custody .....	23
Item 16 – Investment Discretion .....	24
Item 17 – Voting Client Securities .....	25
Item 18 – Financial Information .....	25
Business Continuity Plan.....	26
Information Security Program.....	26

## Item 4 – Advisory Business

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### Firm Description

The Harbor Group, Inc. (“THG,” “we,” “us” or “our”) was founded in 1981.

THG provides personalized financial planning and investment management to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and business entities. We provide advice through consultation with the client and may include determination of financial objectives, identification of financial challenges, preparation of net worth exhibits, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning recommendations.

Investment advice is an integral part of financial planning. In addition, THG advises clients about cash flow, college planning, retirement planning, tax planning, estate planning and any other areas that the client requests us to review, providing we feel ourselves competent to do the work.

Investment advice is provided, with the client making the final decision on initial investment selection. THG does not act as a qualified custodian of client assets. The client always maintains joint asset control. THG places trades for clients under a limited power of attorney. In the case of accounts that do not allow for third party authorization, THG uses access information provided by the client to access the account via the internet to place trades, and to obtain values and transactional data.

Typically, we provide a written evaluation of each client's initial financial situation. We may also conduct periodic reviews to provide reminders of the specific courses of action that need to be taken or to track progress toward a goal. For asset management clients, we review accounts on at least a quarterly basis.

Other professionals (e.g., lawyers, accountants, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

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### Principal Owners

Timothy M. Riley, President and Chief Executive Officer, Ryan J. Callaghan, Chief Investment Officer, and Christopher MacBean, Chief Planning Officer and Chief Compliance Officer, are THG's principal owners.

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## **Types of Advisory Services**

THG provides investment supervisory services, also known as asset management services. We also provide financial planning services. Financial planning services can be included with asset management services or may be completed on a standalone basis and billed separately.

Upon client request, THG may agree provide consulting services about non-investment related matters, such as estate planning, tax planning, or insurance matters. THG does not serve as a law firm or CPA firm. No portion of THG's services should be construed as legal or insurance implementation services. However, clients can engage THG to provide tax preparation and planning services as described below.

Unless specifically agreed in writing, neither THG nor its representatives are responsible to implement any financial plans or financial planning advice; provide ongoing financial planning services; or provide ongoing monitoring of financial plans or financial planning advice. The client is solely responsible to revisit the financial plan or financial planning advice with THG, if desired. The client retains absolute discretion over all financial planning and related implementation decisions and is free to accept or reject any recommendation from THG and its representatives in that respect. THG's financial planning and consulting services are completed upon communicating its recommendations to the client, upon delivery of the written financial plan, or upon termination of the applicable agreement.

THG may recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, insurance agents, etc.). Clients are under no obligation to engage the services of any recommended professional who is responsible for the quality and competency of the services they provide.

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## **Tailored Relationships**

The goals and objectives for each client are documented in their initial financial plan or in meeting notes. Investment policy statements are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

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## **Types of Agreements**

The following services define the typical client relationships as outlined in our client agreement letters:

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## **Financial Planning**

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations may be provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

THG generally charges a negotiable financial planning fee at the inception of the client engagement, which may be waived at its sole discretion. The fee is predicated upon the facts known at the start of the engagement and based on the hourly rate of the planner completing the financial plan or it may be on a flat fee basis. The fee will be agreed upon before beginning work on the financial plan.

Because financial planning includes a discovery process, it is possible that THG may identify financial exposures or issues about which the client was not previously aware. Therefore, if the client's situation is substantially different than disclosed at the initial meeting, a revised 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 deemed necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled, as necessary. THG generally provides ongoing financial planning services without additional charge, as part of its investment supervisory services. However, upon client agreement, follow-on implementation work may be billed separately at rates ranging from \$125 per hour to \$650 per hour depending on the financial planner completing the work.

For clients who do not wish to complete a full financial plan a scope of work is agreed on which identifies the specific financial planning areas to be reviewed. THG reminds those clients that financial planning would benefit them, and that the decision not to engage THG for those financial planning services may limit THG's financial advice. At that time, an engagement letter is prepared which specifies the maximum number of hours to be billed. The hourly rate ranges from \$125 per hour to \$650 per hour depending on the staff member or financial planner completing the work.

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## **Asset Allocation Portfolio Management**

Clients typically choose to have THG manage their assets in order to obtain ongoing in-depth advice and life planning. THG conducts a thorough review of the client's financial affairs, which sometimes includes a review of the client's children or family members. THG assists clients in setting goals and investment objectives. As those goals and investment objectives change over time, THG may suggest and implement changes on an ongoing basis.

Clients review and sign an advisory service agreement identifying the scope of work and applicable fee before THG provides services on a fee basis. An advisory service agreement may include cash flow management; insurance review; investment management (including performance reporting); education planning; retirement planning; estate planning; and tax planning, as well as the implementation of recommendations within each area. Financial planning work is usually included as part of the investment advisory fee, however, in some instances it may be billed separately on an hourly or quoted basis.

Under this engagement, THG may provide investment advisory services relative to the client's 401(k) plan assets, for which THG will manage the client's account comprised of investment options available through the applicable 401(k) platform. THG's investment management options will be limited to allocation of the assets among the investment alternatives available through the plan. THG will not receive any communications from the plan sponsor or custodian, and it is the client's exclusive obligation to notify THG of any changes in investment alternatives, restrictions, etc. pertaining to the retirement account.

The annual investment advisory fee under this engagement is based on a percentage of the investable assets generally according to the following schedule:

- 1.00% on the first \$2,000,000;
- 0.75% on the next \$2,000,000;
- 0.50% on the next \$2,000,000;
- 0.40% on the next \$2,000,000,
- 0.30% on the next \$2,000,000, and
- 0.20% on assets over \$10,000,000.

Except as expressly agreed in writing, account assets consisting of cash and cash equivalent positions are included in the value of an account's assets for purposes of calculating the advisory fee. Clients can advise THG not to maintain (or to limit the amount of) cash or cash equivalent positions in their account.

THG's investment advisory fee under this engagement is negotiable in certain limited circumstances at THG's sole discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professionals rendering the services; prior relationships with THG and its representatives, and negotiations with the client. THG may also determine to aggregate account values for related clients (such as spouses and minor children sharing the same residence) for the purpose of reducing the overall fee. Certain legacy clients may have accepted different pre-existing service offerings from THG and may therefore receive services under different fee schedules than as set forth

above. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by THG to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

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## **Tax Preparation and Planning Services**

Clients may also engage THG to provide tax planning and tax preparation services through a representative who focuses specifically on financial planning and tax matters. THG's fixed fee for tax preparation services generally ranges between \$200 and \$5,000 on a fixed fee basis, depending upon the scope and complexity of the services required.

The recommendation that a client engage a THG representative provide tax planning or preparation services presents a conflict of interest, because the receipt of additional compensation for those services may provide an incentive to recommend that a THG representative perform the service based on compensation to be received, rather than on a particular client's need. THG clients are under no obligation to engage THG representatives for tax planning services.

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## **Miscellaneous Disclosures**

Retirement Plan Rollovers – No Obligation / Conflict of Interest. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If THG recommends that a client roll over their retirement plan assets into an account to be managed by THG, such a recommendation creates a conflict of interest if THG will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over plan assets to an IRA managed by THG or to engage THG to monitor and/or manage the account while maintained at the client's employer.

ERISA / IRC Fiduciary Acknowledgment. When THG provides investment advice to a client about the client's retirement plan account or individual retirement account, it does so as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act ("ERISA") and/or the Internal Revenue Code ("IRC"), as applicable, which are laws governing retirement accounts. Because the way THG makes money creates some conflicts with client interests, THG operates under a special rule that requires it to act in the client's best interest and not put its interests ahead of the client's. Under this special rule's provisions, THG must: meet a professional standard of care when making investment recommendations (give prudent advice); never put its



financial interests ahead of the client's when making recommendations (give loyal advice); avoid misleading statements about conflicts of interest, fees, and investments; follow policies and procedures designed to ensure that THG gives advice that is in the client's best interest; charge no more than is reasonable for THG's services; and give the client basic information about conflicts of interest.

Portfolio Trading Activity / Inactivity. As part of its investment advisory services, THG will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, market conditions, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods when THG determines that upon review, trades within a client's portfolio are not prudent. Clients nonetheless remain subject to the fees described in Item 5 during periods of portfolio trading inactivity.

Client Obligations. When performing its services, THG is not required to verify any information received from the client or from the client's designated professionals and is expressly authorized to rely on that information. Clients are responsible to promptly notify THG if there is ever any change in their financial situation or investment objectives for the purpose of reviewing or amending THG's services or previous recommendations.

Dimensional Fund Advisors. THG may allocate client investment assets to funds issued by Dimensional Fund Advisors ("DFA"), some of which are only available through selected registered investment advisers. Therefore, upon the termination of THG's services, a client may experience restrictions on the transfer, additional purchases, or reallocation among DFA funds.

Asset Aggregation / Reporting Services. THG may provide access to reporting services through one or more third-party aggregation / reporting platforms that can reflect all of the client's investment assets, including those investment assets that the client has not engaged THG to manage (the "Excluded Assets"). THG's service for the Excluded Assets is strictly limited to reporting, and specifically excludes investment management or implementation. Because THG does not have trading authority for the Excluded Assets, the client (and/or a designated investment professional), and not THG, will be exclusively responsible for implementing any recommendations for the Excluded Assets and the resulting performance or related activity (such as timing and trade errors) pertaining to the Excluded Assets. The third-party aggregation / reporting platforms may also provide access to financial planning information and applications, which should not be construed as services, advice, or recommendations provided by THG. Accordingly, THG will not agree to be responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the third party reporting platforms without THG's participation or oversight.

Independent Managers / Separately Managed Account Platforms. THG may allocate (or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers / separately managed account platforms (the "Independent Managers") in accordance with the client's designated investment objectives. Currently, THG allocates or recommends such allocations to certain Independent Managers to access municipal bond management. In such situations, the Independent Managers will have day-to-day responsibility for the active discretionary management of the allocated assets. THG will continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. THG generally considers the following factors when considering its recommendation to allocate investment assets to Independent Managers: the client's designated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by the Independent Managers is separate from, and in addition to, THG's investment advisory fee as set forth above, which is disclosed to the client before the allocation of investment assets to the Independent Managers.

Margin / Securities Based Loans. THG does not recommend the use of margin for investment purposes. However, if a client determines to take a margin loan that collateralizes a portion of the assets that THG is managing, THG's investment advisory fee will be computed based upon the average daily account balance, which incorporates a reduction in value based on any outstanding margin loan. Without limiting the above, upon specific client request and generally in a financial planning context, THG may help clients evaluate and establish a margin or securities based loan (collectively, "SBL") with the client's broker-dealer/custodian or their affiliated banks (each, an "SBL Lender") to access cash flow. Compared to real estate-backed loans, SBLs can provide access to funds in a shorter time, provide greater repayment flexibility, and may also result in the borrower receiving certain tax benefits. Clients interested in learning more about the potential tax benefits of SBLs should consult with an accountant or tax advisor. The terms and conditions of each SBL are contained in a separate agreement between the client and the SBL Lender selected by the client, which terms and conditions may vary from client to client. SBLs are not suitable for all clients and are subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the SBL if the SBL Lender determines that the value of collateralized securities is no longer sufficient to support the value of the SBL; the risk that the SBL Lender may liquidate the client's securities to satisfy its demand for additional collateral or repayment / the risk that the SBL Lender may terminate the SBL at any time. Before agreeing to participate in SBL programs, clients should carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender including the initial margin and maintenance requirements for the specific program in which the client

enrolls, and the procedures for issuing “margin calls” and liquidating securities and other assets in the client’s accounts.

If THG recommends that a client apply for SBLs instead of selling securities that THG manages for a fee to meet liquidity needs, the recommendation presents an ongoing conflict of interest because selling those securities (instead of leveraging those securities to access SBLs) would reduce the amount of assets to which THG’s investment advisory fee percentage is applied, and thereby reduce the amount of investment advisory fees collected by THG. Likewise, the same ongoing conflict of interest is present if a client determines to apply for SBLs on their own initiative. These ongoing conflicts of interest would persist as long as THG has an economic disincentive to recommend that the client terminate the use of SBLs. If the client were to invest any portion of the SBL proceeds in an account that THG manages, THG could receive an advisory fee on the invested amount, which could compound this conflict of interest. If a client accesses a SBL through its relationship with THG and the client’s relationship with THG is terminated, clients may incur higher (retail) interest rates on the outstanding loan balance. Clients are not under any obligation to employ the use of SBLs, and are solely responsible for determining when to use, reduce, and terminate the use of SBLs. Although THG seeks to disclose all conflicts of interest related to its recommended use of SBLs and related business practices, there may be other conflicts of interest that are not identified above. Clients are therefore reminded to carefully review the applicable SBL agreement, and all risk disclosures provided by the SBL Lender as applicable and contact THG’s Chief Compliance Officer with any questions about the use of SBLs.

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

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## **Asset Management**

Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm may charge fees for stock and bond trades. THG does not receive any compensation from fund companies.

Investments may also include equities (stocks), corporate debt securities, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), and U.S. government securities. In certain limited circumstances, THG may also recommend that clients allocate investment assets to Real Estate Investment Trusts ("REITs"). Please refer to Item 8 below for a description of risks associated with these investments.

Initial public offerings (IPOs) are not available through THG.

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## **Termination of Agreement**

A Client may terminate any of the agreements at any time by providing THG thirty days' notice in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination or the end of the thirty day notice period for asset management services. THG does not accept advance payments so no refunds of unearned fees will be necessary. For investment advisory clients, fees will be billed on a pro rata basis for the portion of the quarter completed.

THG may terminate any of the aforementioned agreements at any time by notifying the client in writing.

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## **Wrap Fee Programs**

THG does not participate in a wrap program.

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## **Regulatory Assets Under Management**

As of December 31, 2023, THG managed: \$1,486,774,714 of client assets on a discretionary basis, and \$45,696,250 on a non-discretionary basis, for a combined \$1,532,470,964 in assets under management.

## Item 5 – Fees and Compensation

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### Description

THG bases its fees on a percentage of assets under management, hourly charges, and fixed fees (not including subscription fees). Please refer to Item 4 above for a complete description of the fees THG charges for its particular service offerings.

Some Agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are negotiable in limited circumstances. THG, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.)

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### Fee Billing

Investment management fees are billed quarterly. The fee schedule is based upon the average daily balance during the billing. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed upon delivery of the financial plan.

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### Transaction and Custodial Fees

Broker-dealers charge transaction fees for executing certain securities transactions according to their fee schedule and they or their affiliated or unaffiliated custodians also impose additional charges for custodial services and other fees associated with maintaining the client's account. Without limiting the foregoing, clients may also be required to pay certain charges and administrative fees related to their investment advisory accounts, including, but not limited to transaction charges (including mark-ups and mark-downs) resulting from trades executed through or with a broker-dealer other than the designated broker-dealer/custodian, transfer taxes, transfer or wiring fees, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. THG does not receive any portion of these transaction fees or commissions.

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### Expense Ratios

Mutual funds and ETFs generally impose a management fee for the fund manager's services. The management fee plus other fund expenses are

sometimes called an expense ratio. For example, an expense ratio of 0.50 means the mutual fund company charges 0.5% for their services and fund expenses. THG does not receive any portion of these fees, which are in addition to the fees paid by you to THG.

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### **Past Due Accounts and Termination of Agreement**

THG reserves the right to stop work on any account that is more than 30 days overdue. In addition, THG 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 THG's judgment, to providing proper financial advice. As stated in our client agreements, THG reserves the right to charge interest at the rate of 1.5% per month on balances outstanding for more than 60 days.

## **Item 6 – Performance-Based Fees**

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### **Sharing of Capital Gains**

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

THG does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Item 7 – Types of Clients**

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### **Description**

THG generally provides investment advisory services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and business entities. The majority of clients are individuals and high net worth individuals.

Client relationships vary in scope and length of service.

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### **Account Minimums**

THG does not impose any mandatory requirements for opening or maintaining investment advisory accounts.

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

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### **Methods of Analysis**

THG is not generally involved in the selection, recommendation, or analysis of individual equity securities. THG typically utilizes mutual funds and ETFs when recommending investments to clients.

The main sources of information include financial newspapers and magazines, research materials prepared by others, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that THG may use include Morningstar Advisor mutual fund information, Morningstar Advisor stock information, Charles Schwab & Company's Institutional web site, Fidelity Investments web site for registered investment advisors, and other resources available via the Internet.

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### **Investment Strategies**

The primary investment strategy used on client accounts is strategic asset allocation using mutual funds and ETFs. Portfolios are globally diversified to control the risk associated with traditional markets. THG's approach emphasizes prudent diversification of assets and long term investment planning consistent with the client's objectives.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

For some clients, other strategies may be utilized. If a client wants to include an individual equity in the portfolio, THG will hold the security and report on performance. However, we explicitly state in our Investment Policy Statement the conditions for including the security, which include that the client must be the individual to specify the time to purchase or sell the asset. THG may also include individual fixed income securities such as Certificates of Deposit, investment grade bonds, government, and agency bonds, and exchange traded funds as part of a portfolio. THG may also recommend the use of fixed or variable annuities when appropriate for the client.

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### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal investment. Past performance does not guarantee future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and strategies recommended or undertaken by THG) will be profitable or equal any specific performance levels. Investment strategies such as asset allocation,

diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease, and client account values could suffer a loss.

All investment programs have risks for the investor. Our investment approach keeps the risk of loss in mind. The following provides a short description of some of the risks associated with the types of investments that THG uses or recommends:

- **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.
- **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 need 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.

- **Mutual Fund Risk.** Mutual funds are operated by investment companies that raise money from shareholders and invest it in stocks, bonds, and other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).
- **Exchange Traded Fund Risk.** ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds, or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.
- **Cash and Cash Equivalent Risk.** THG may hold a portion of client's assets in cash or cash equivalent positions (such as but not limited to money market funds) typically for defensive and liquidity purposes. Investments in these assets may cause a client to miss upswings in the markets. THG's advisory fee could exceed the interest income from holding cash or cash equivalents.
- **REIT Risk:** REITs are subject to risks generally associated with investing in real estate, such as: possible declines in the value of real estate; adverse general and local economic conditions; possible lack of availability of mortgage funds; changes in interest rates; and environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of

locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility.

- **Socially Responsible Investing Risks and Limitations.** Upon specific client request, TSG will implement aspects of environmental, social and governance (generally referred to as “ESG”) considerations into the client investment process. Clients requesting to engage in ESG-focused investing must be willing to accept the inherent risks and limitations of that strategy, including without limitation those risks and limitations described below. The investment universe of ESG related investment vehicles is by nature narrower in scope and therefore the investment options may be limited when compared to non-ESG mandated securities. By narrowing the scope of investment options, clients may miss the opportunity to invest in a non-ESG mandated security or sector, which could contribute to their overall portfolio performance. ESG securities could underperform broad market indexes. ESG mandated investment funds may have higher expense ratios than non-ESG mandated investment vehicles. ESG considerations may vary from person to person, so the client’s opinion about what constitutes valid and valuable ESG principles may differ from those of the security issuer. ESG scores and ratings may also differ between two different ESG securities because of the way the respective fund managers analyze and identify ESG factors. The underlying holdings of some ESG investment vehicles may not disclose the same level or scope of ESG information as other companies. As a result, some investments may not capture ESG concepts with 100% accuracy. Therefore, THG may rely on portfolio managers to establish their own system of ranking and sustainable factors in coordination with their mandate.

## **Item 9 – Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees are not involved in legal or disciplinary events related to past or present investment clients.

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

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### **Affiliations**

Neither THG, nor its representatives are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer; are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing. THG does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients. THG does not have arrangements that are material to its advisory business or its clients with any related person required to be disclosed in this Item 10.

For some high net worth clients, THG may recommend other investment advisors, usually separate account managers. The selection of these managers will be discussed with the client and agreed to in advance. If separate account managers are chosen, the fees charged by that manager are disclosed in the account opening documents which are delivered to the client by that manager. If a separate account manager is chosen, the client is paying two fees, similar to the fee structure of mutual funds, one to THG and one to the separate account manager. Clients that use separate account managers who purchase individual securities may also be charged brokerage fees exceeding the transaction charge for mutual fund purchases. No Client is under any obligation to utilize a separate account manager.

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

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### **Code of Ethics**

The employees of THG have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

The Code of Ethics and Insider Trading policy requires employees to avoid any potential conflicts of interest involving personal trades. Among other things, the policy requires that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, and colleagues in the investment profession.
- Place the integrity of the investment profession, the interests of clients, and the interests of THG above their own personal interests.
- Adhere to the fundamental standard that they should not take inappropriate advantage of their position.

- Avoid any actual or potential conflict of interest.
- Conduct all personal securities transactions in a manner consistent with the policy.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

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### **Participation or Interest in Client Transactions**

THG and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees are expected to comply with the provisions of THG's Compliance Manual.

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### **Personal Trading**

Christopher MacBean is THG's Chief Compliance Officer. He or his designee reviews all employee trades each quarter. Timothy Reily reviews Mr. MacBean's personal trades each quarter. The personal trading reviews help ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund or exchange-traded fund trades, THG does not expect their employee trades to affect the securities markets. Employees are required to pre-clear certain personal securities transactions to avoid any potential conflict of interest or appearance of a conflict of interest with client trades.

## **Item 12 – Brokerage Practices**

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### **Selecting Brokerage Firms**

If a client requests that THG recommend a broker-dealer/custodian for execution or custodial services, THG generally recommends that investment management accounts be maintained at Charles Schwab & Company ("Schwab") or Fidelity Investments ("Fidelity") and their respective affiliates, both of which are SEC-registered and FINRA member broker-dealers and qualified custodians. Before engaging THG to provide investment management

services, clients enter into a formal agreement with THG setting forth the terms and conditions for the management of the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian. Depending on which broker-dealer/custodian clients select to maintain their account, they may experience differences in customer service, transaction timing, the availability of sweep account vehicles and money market funds, and other aspects of investing that could cause differences in account performance.

When seeking "best execution," from a broker-dealer, the determinative factor is not always the lowest possible cost, but whether the transaction represents the best qualitative execution when considering the full range of a broker-dealer's services including the value of research provided, execution capability, commission rates, and responsiveness. Although THG cannot guarantee that clients will always experience the best possible execution available, THG seeks to recommend a broker-dealer/custodian that will hold client assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. THG considers a wide range of factors when recommending a broker-dealer/custodian, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
- Capability to execute, clear and settle trades (buy and sell securities for client accounts);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.);
- Quality of services (including research);
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
- Reputation, financial strength, and stability; and
- Prior service to THG and its other clients.

Schwab and Fidelity are compensated for their services according to their fee schedule (which may vary), generally by charging clients commissions or other fees on trades that they execute or that settle into their custodial account. Although THG will seek competitive rates and seek best execution for its clients, THG's clients may not necessarily obtain the lowest possible commission rates for all account transactions.

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## Research and Other Benefits

While THG does not receive traditional “soft dollar benefits,” THG and by extension, its clients receive access to certain institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab and Fidelity retail customers. Schwab and Fidelity also make various support services available to THG. Some of those services help THG manage or administer its clients’ accounts; while others help it manage and grow its business. Schwab and Fidelity’s support services generally are available on an unsolicited basis (THG does not have to request them) and at no charge to THG.

Schwab and Fidelity’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab and Fidelity include some to which THG might not otherwise have access or that would require a significantly higher minimum initial investment by its clients. These services benefit THG’s clients and their accounts.

Schwab and Fidelity also make other products and services available to THG that benefit THG but may only indirectly benefit its clients or their accounts, such as investment research developed by Schwab, Fidelity, or third parties that THG may use to service clients’ accounts. In addition to investment research, Schwab and Fidelity also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of THG’s fees from other clients’ accounts; and
- Assist with back-office functions, recordkeeping, and client reporting.

Schwab and Fidelity may offer other services intended to help THG manage and further develop its business. These services include:

- Educational conferences and events;
- Consulting on technology, compliance, legal and business needs;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

Schwab and Fidelity may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to THG. Schwab and Fidelity may discount or waive their fees for some of these services or pay

all or a part of a third party's fees. Schwab and Fidelity can also provide occasional business meals and entertainment for THG's personnel.

The availability of the services and products described above that THG receives from Schwab (the "Services and Products") provides THG with an advantage, because THG does not have to produce or purchase them. However, THG does not have to pay Schwab, Fidelity, or any other entity for Services and Products that Schwab and Fidelity provide. THG's clients do not pay more for investment transactions executed or assets maintained at Schwab or Fidelity as a result of these arrangements. The receipt of Services and Products is not contingent upon THG committing any specific amount of business to Schwab or Fidelity in trading commissions or assets in custody. There is no corresponding commitment made by THG to Schwab, Fidelity, or any other entity to invest any specific amount or percentage of client assets in any specific securities or investment products as a result of the above. However, these arrangements nonetheless incentivize THG to recommend that clients maintain their account with Schwab and Fidelity, based on its interest in receiving Schwab and Fidelity's services that benefit its business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of their transactions. This presents a conflict of interest. When making such a recommendation, however, THG does so when it reasonably believes that recommending Schwab or Fidelity to serve as broker-dealer/custodian is in the best interests of its clients. It is primarily supported by the scope, quality, and price of Schwab or and Fidelity's services and not Schwab and Fidelity's services that benefit only THG.

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### **Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit. Based on this, THG does not aggregate client trades.

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### **Referrals from Broker-Dealers**

THG does not currently receive referrals from broker-dealers. However, THG previously received client referrals from Schwab through participation in the Schwab Advisor Network™. Please refer to Item 14 below for more information.

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### **Directed Brokerage**

THG does not generally accept directed brokerage arrangements (when a client requires that account transactions be executed through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and THG 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 THG. As a result, clients 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.

If the client directs THG to execute 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 execute account transactions through alternative clearing arrangements that may be available through THG. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

## **Item 13 – Review of Accounts**

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### **Periodic Reviews**

Advisors generally perform quarterly account reviews, or they conduct more frequent reviews when market conditions dictate. The firm's Investment Committee also meets weekly to review investment options, allocation, construction, and related factors. The Investment Committee is instructed to consider the clients' current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the clients, on the whole.

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### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### **Regular Reports**

Investment Management clients receive written reports on at least a quarterly basis. Clients may also receive written updates when requested which may include updated net worth statements, tax recommendations, education exhibits, retirement planning updates, or other topics based on the client's request and situation.

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

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### **Incoming Referrals**

THG has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.



THG previously received client referrals from Schwab through participation in the Schwab Advisor Network™ (“the Service”), designed to help investors find an independent investment advisor. THG does not currently participate in the Service with respect to newly referred clients. Schwab is a broker-dealer independent of and unaffiliated with THG. Schwab does not supervise THG and has no responsibility for THG’s management of clients’ portfolios or THG’s other advice or services. THG continues to pay Schwab fees for previous client referrals, but THG no longer receives referrals under this arrangement.

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**Referrals Out**

THG does not accept referral fees or any form of compensation from other professionals when a prospect or client is referred to them.

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**Other Economic Benefits**

THG receives certain economic benefits from Schwab and Fidelity, as described in Item 12 above. THG’s clients do not pay more for investment transactions executed or assets maintained at a broker-dealer/custodian or other entity as a result of these arrangements. There is no corresponding commitment made by THG to a broker-dealer/custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangements.

## **Item 15 – Custody**

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**Account Statements**

All assets are held at a qualified custodian, which means the custodian provides account statements directly to clients at their address of record at least quarterly.

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**Performance Reports**

THG urges clients to compare the account statements received directly from the custodian to any performance report or other statements provided by THG. THG’s reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The account custodian does not verify the accuracy of THG’s investment advisory fees.

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**Other arrangements**

THG engages in other practices that require disclosure at the Custody section of Part 1 of Form ADV, which are subject to an annual surprise CPA examination in accordance with Rule 206(4)-2 of the Investment Advisers Act of 1940.

In addition, certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from THG to transfer client funds or securities to parties that may be considered “third parties.” These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, in accordance with the guidance provided in the SEC’s February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination.

## **Item 16 – Investment Discretion**

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### **Discretionary Authority for Trading**

THG accepts discretionary authority to manage securities accounts on behalf of clients. In those engagements, THG has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. THG trades in accordance with the clients’ individual investment policy statements. For discretionary management services, the client must provide THG with a limited power of attorney acceptable to the custodian of the client’s assets. If the assets are held with a custodian other than Schwab or Fidelity, THG will utilize internet access credentials provided to us by the client to carry out any necessary trades.

The client approves the custodian to be used and the commission rates or transaction fees paid to the custodian. THG does not receive any portion of any transaction fees or commissions paid by the client.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy you have approved in writing. A client may choose to withhold discretionary authority and specify in their investment policy statement that they are to be consulted before any trades may be placed in the account. In this situation, a client may be holding an asset after discretionary clients have sold or purchasing an asset after it was purchased for discretionary clients.

Non-Discretionary Service Limitations. Clients that determine to engage THG on a non-discretionary basis correspondingly acknowledge that THG cannot execute any account transactions without obtaining the client’s prior consent to the transactions. Therefore, if THG would like to make a transaction for a client’s account (including selling a security that THG no longer believes is appropriate or buying a security that THG believes is appropriate, and the client is unavailable, THG will be unable to execute the account transactions (as it would for its discretionary clients) without first obtaining the client’s consent. While TGH does not engage in “market timing,” this may negatively impact account performance.

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**Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved or have authorized by granting THG discretionary trading authority.

**Item 17 – Voting Client Securities**

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**Proxy Votes**

THG does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, THG will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

**Item 18 – Financial Information**

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**Financial Condition**

THG does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because THG does not serve as a custodian for client funds or securities and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

THG's Chief Compliance Officer, Christopher MacBean, is available to address any questions about this Brochure, THG's service offering, or any conflicts of interest presented.

# Business Continuity Plan

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## General

THG has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services, or key people.

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## Disasters

The Business Continuity Plan covers natural disasters such as snowstorms, hurricanes, tornados, and flooding. The Plan also covers manufactured disasters. Electronic files are backed up daily and archived offsite.

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## Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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## Loss of Key Personnel

THG has sufficient personnel to support the firm in the event of an advisor or owner's serious disability or death. In addition to the business owners, there are currently four Certified Financial Planners® on staff and an additional individual working toward his certification.

# Information Security Program

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## Information Security

THG maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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## Privacy Notice

THG is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax,

email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this Privacy Notice to you annually, in writing.