

Item 1 – Cover Page

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March 10, 2022

This Brochure provides information about the qualifications and business practices of H.S. Financial, Inc. (hereinafter “HSF”). If you have any questions about the contents of this Brochure, please contact Paul Honeycutt, President of HSF, at 858-200-0900. 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.

HSF is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about HSF is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search the site by a unique identifying number, known as a CRD number. The CRD number for HSF is 136731.

## Item 2 – Material Changes

There have been no material changes to this brochure since it was last updated on March 26, 2020

## Item 3 – Table of Contents

### Contents

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



## Item 4 – Advisory Business

### INVESTMENT SERVICES

H.S. Financial, Inc. (“HSF”) is a financial planning firm that provides investment, retirement, and estate planning services to corporate executives, professionals and business owners. HSF was registered as an investment adviser in 2006 and the principal owner is Paul Honeycutt.

Utilizing state-of-the-art financial models, spreadsheets and computer programs, HSF will conduct a thorough analysis of the client’s overall financial situation. HSF’s objective is to identify and evaluate a range of options available and enable the client to select those strategies that he/she feels are most suitable. To assist the client in the decision-making process, HSF prepares an impact analysis of each strategy and carefully reviews the benefits and risks associated with each strategy.

Clients purchasing this service will receive a written report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives.

HSF’s financial planning services may address any or all of the following areas of concern:

#### ***Investment Planning:***

- Analysis of current asset holdings and investment alternatives and their effect on client’s portfolio(s).
- Development of an Investment Policy Statement (IPS) incorporating client’s risk tolerance, investment philosophy, short-term requirements and long-term objectives, and tax implications.
- Design an individualized portfolio strategy that identifies and compares investment alternatives based on client’s asset allocation model and IPS; projects hypothetical rates of return and projected tax implications based on current market conditions.

#### ***Retirement Planning:***

- Development of a comprehensive retirement funding model that tracks client’s retirement resources and benefits, accommodates changes in client’s circumstances and market conditions, identifies potential surpluses or deficiencies in client’s funding, and calculates additional funding or investment return required to help meet client’s retirement objectives.
  - Identify and evaluate the full range of available retirement funding options.
  - Design a retirement funding program that most effectively helps to meet client’s retirement income objectives.
- Develop a comprehensive qualified plan and IRA distribution model that analyzes the available distribution options, and design a retirement distribution strategy that helps to minimize taxation, meet retirement income requirements and maximize net accumulation.

### ***Education Funding:***

- Development of a comprehensive education funding model that tracks client's retirement resources and benefits, accommodates changes in client's circumstances and market conditions, identifies potential surpluses or deficiencies in client's funding, and calculates additional funding or investment return required to help meet client's objectives.
- Identify and evaluate the full range of available education funding options.
- Design an education funding program that most effectively helps to meet client's education needs and objectives.

### ***Insurance:***

- Prepare a comprehensive review and analysis of client's current insurance program. Analysis may include among other things, the amount and types of coverage, cost/benefit projections, dividend projections, ownership and beneficiary designations, and tax implications and consequences.
- Design an insurance program that helps to meet client's needs in the most cost and tax effective manner.

### ***Fringe Benefit Planning:***

- Prepare a comprehensive review and analysis of client's current fringe benefit program. Analysis may include as appropriate, Pension, Profit Sharing, 401(K) Plans, Group Medical and Dental Coverage, HMO and PPO Programs, Disability Insurance, Deferred Compensation, Stock Options and Incentive Programs, Executive Prerequisites, Group Term Conversion Options, and Qualified Plan Distribution Options.
- Evaluate the adequacy, tax consequences and cost effectiveness of client's current fringe benefit program.
- Design a fringe benefit program that helps to meet client's needs in the most cost and tax effective manner.

### ***Estate Planning Analysis:***

- Prepare a complete review and analysis of client's current estate situation. Analysis may include, as appropriate, wills, trusts and other estate documents, community property, real estate, life insurance, pension and other fringe benefits; business, partnership and trust interests, and investments and Limited Partnerships.
- Develop a financial projection model to analyze client's estate taxes and settlement costs assuming a variety of different planning contingencies.
- Identify, analyze and evaluate the range of planning strategies available to client:
  - To most effectively meet client's distribution objectives (e.g., wills, trusts, designation of beneficiaries, Powers of Attorney, custodial arrangements, etc.)

- To minimize estate taxes by reducing or freezing the value of client's estate (e.g., Unified Credit, Annual Gift Tax Exclusion, Marital Deduction, Generation Transfer Exemptions, Grantor Retained Unit or Annuity Trust, Charitable Remainder and Lead Trusts, Gifts, Private Annuities, Joint (Split) Purchases, Disclaimers, Self Canceling Installment Notes, Minority Interest Discounts, and /or Family Limited Partnerships).
- Determine most cost effective way to pay estate taxes utilizing assets within the Estate or outside the Estate.
- Analysis of estate plan to ensure plan falls within the client's established parameters to help distribute the estate in the most cost and tax effective manner.

***Business Succession Planning/ Exit Planning:***

- Prepare a complete review and analysis of client's current business succession situation. Analysis may include as appropriate:
  - Current succession issues and objectives (e.g., transfer of ownership, transfer of control, business outlook, valuation options, liquidity, funding and future income needs, employee retention issues, and equalization objectives).
  - Existing business succession arrangements (e.g., type of agreement, parties to agreement, terms, valuation formulas, funding, security or collateral, and/or the impact of projected business growth on funding arrangements and payment terms).
- Identify, analyze and evaluate the range of available options for:
  - Dissolving the business (e.g., Cross Purchase Agreement, Stock Redemption Agreement, Wait and See Agreement, Equity Equal Agreement, ESOP, Employee Stock Options, Gifting and/or Installment Sale).
  - Freezing the value of the business (e.g., Gifting, Minority Interest Discounts, Family Limited Partnership, Installment Sale, Private Annuity, Recapitalization, and GRAT and/or GRUT).
  - Retaining key non owner employees (e.g., Deferred Compensation, Stock Appreciation Rights, Phantom Stock Option Programs, Qualified Plans, Bonus Programs, and Split Dollar Life Insurance).
- Develop a strategy to transfer the business within the client's established parameters in the most cost and tax effective manner.
- Determine the type of business structure best suited to client's particular circumstances, needs and objectives.

HSF gathers required information through in-depth personal interviews. Information gathered includes, among other things, a client's current financial status, future goals and

attitudes towards risk. Related documents supplied by the client are carefully reviewed, including a questionnaire completed by the client, and a written report is prepared.

The investment advisory services provided by HSF advisors depend largely on the personal information the client provides to the advisor. For HSF advisors to provide appropriate investment advice to the client, it is very important that clients provide accurate and complete responses to their advisor's questions about their financial condition, needs and objectives, and any reasonable restrictions they wish to apply to the securities or types of securities to be considered for inclusion within the financial plan created by HSF.

The investment recommendations and advice offered by HSF are not legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your attorney and/or accountant. You are required to inform HSF promptly with respect to any changes in your financial situation and investment goals and objectives. Failure to notify us of any such changes could result in investment recommendations not meeting your needs.

Financial Planning recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. All recommendations are of a generic nature.

### ***IRA Rollover Considerations:***

As part of our financial planning services, we may provide you with recommendations and advice concerning your employer retirement plan or other qualified retirement account. We may recommend that you withdraw the assets from your employer's retirement plan or other qualified retirement account and roll the assets over to an individual retirement account ("IRA"). You are under no obligation, contractually or otherwise, to complete the rollover.

Employers may permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of each.

An employee will typically have four options:

1. Leave the funds in your employer's (former employer's) plan.
2. Roll over the funds to a new employer's retirement plan.
3. Cash out and take a taxable distribution from the plan.
4. Roll the funds into an IRA rollover account.

Each of these options has advantages and disadvantages. Before making a change, we encourage you to speak with your financial advisor, CPA and/or tax attorney.

Before rolling over your retirement funds to an IRA, carefully consider the following.  
NOTE: This list is not exhaustive.

1. Determine whether the investment options in your employer's retirement plan address your needs or whether other types of investments are needed.



- a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities or previously closed funds.
2. Your current plan may have lower fees than the new IRA.
- a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services available through an IRA provider and their potential costs.
  - c. It is likely you will not be charged a management fee and will not receive ongoing asset management services unless you elect to have such services. If your plan offers management services, there may be a fee associated with the service that is higher or lower than the new IRA.
3. The IRA provider's strategy may have higher risk than the option(s) provided in your plan.
4. Your current plan may offer financial advice, guidance, management, and/or portfolio options at no additional cost.
5. If you keep your assets titled in a 401k or retirement account and you are still working, you could potentially delay your required minimum distribution beyond age 72.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies; however, there can be exceptions. Consult an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, prior to age 59 <sup>1</sup>/<sub>2</sub>, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses, or a home purchase.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire another firm as the manager and keep the assets titled in the plan name.

It is important that you understand your options, their features and differences and decide whether a rollover is best for you. If you have questions, you may speak with your advisor for guidance in your specific situation.

## Item 5 – Fees and Compensation

**FEES:** HSF charges a fixed fee, typically ranging from \$2,000 to \$25,000 for the development of a financial plan. The fee is calculated based on the assets, income and complexity of the client's circumstances and the range of services contracted for.

Financial planning fees are due and payable in advance. Typically, the financial plan will be presented to the client within 90 days of the contract date, provided that all information needed to prepare the financial plan has been promptly provided by the client.

The fees paid to HSF do not include any additional costs you may incur should you choose to implement the financial plan. Such costs may include, but are not limited to, brokerage commissions, asset management fees, maintenance fees, internal mutual fund expenses, and mutual fund 12b-1 fees.

HSF will never hold client funds greater than \$1,200 for more than six months in advance of completion of the financial plan.

After one year, HSF will contact financial planning clients and offer to review the plan. This will help ensure that the plan still reflects the client's financial goals and objectives, and give HSF the opportunity to amend the plan to accommodate any changes in the client's circumstances (retirement, marriage, disability, etc.).

This service is optional, and the client is not obligated to accept. If the client chooses to have this annual review, the fee for this consultation will be a fixed fee determined on a case-by-case basis.

Advisory Representatives of HSF are also registered as registered representatives and advisory representatives of Commonwealth Financial Network® ("Commonwealth"). In these roles, our advisory representatives can offer implementation of the financial planning recommendations made to you. As noted above, implementation of recommendations will result in you paying additional commissions and/or fees. Our advisors have a conflict of interest in recommending implementation of planning recommendations through Commonwealth as they will receive commissions and/or fees should you choose to use your advisor to implement your plan.

We will attempt to mitigate conflicts of interest by:

- Informing you of conflicts of interest in our disclosure document and agreement;
- Maintaining and abiding by our Code of Ethics, which requires us to place your interests first and foremost;
- Advising you of the right to decline to implement our recommendations and the right to choose other financial professionals not associated with HSF for implementation.

**For California Residents:** Pursuant to California Rule 260.235.2, a conflict exists between the interests of this registrant or its associated persons and the interest of the client; the client

is under no obligation to act upon this registrant's or associated person's recommendations; if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the registrant, or associated person when the person is an agent with a licensed broker-dealer or through any associate or affiliate of such person.

#### **GENERAL INFORMATION:**

Negotiability of Advisory Fees and Minimum Requirements: Our fees are negotiable.

Termination of Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

For California Residents: Subsection (j) of Rule 260.238, California Code requires that all investment advisors disclose to their clients that lower fees for comparable services may be available from other sources.

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

HSF does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

HSF provides advisory services to individuals, high net worth individuals, trusts, estates or charitable organizations, and pension and profit sharing plans.

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

HSF will analyze current portfolio holdings to ensure the investments included coincide with the client's investment objectives, time horizon, and risk tolerance. HSF uses sources such as MorningStar, Fiduciary Analytics, Valueline, Standard & Poors, and Argus to evaluate individual stocks and mutual funds or the client's portfolio as a whole. These sources provide investment research, including stock and fund analysis, reports, overall ratings, as well as company, investing, and financial news. HSF may also compare performance to benchmarks or similar funds. Investment goals are always considered when analyzing a client's investments and any advice given is tailored to the particular client and what best suits their situation. The level of risk exposure an investor wishes to have within their portfolio, also called risk tolerance, is considered when analyzing investments. Investing in securities involves risk of loss that clients should be prepared to bear.

## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of HSF or the integrity of HSF's management. HSF has no information applicable to this Item.

## Item 10 – Other Financial Industry Activities and Affiliations

### OTHER BUSINESS ACTIVITIES

The principal executive officers and other employees are separately licensed as investment adviser representatives and registered representatives of Commonwealth Equity Services, Inc. (hereinafter “Commonwealth”) a FINRA-registered broker/dealer and SEC-registered investment adviser.

Associated persons of HSF may also be insurance agents or brokers for one or more insurance companies. In this role, our advisory representatives may offer to sell you insurance products on which they will be paid a commission. Clients are under no obligation to purchase insurance products from our advisory representatives.

As registered representatives with Commonwealth, the principal executive officers and other employees of HSF are able to implement investment recommendations for advisory clients for separate and typical compensation. This presents a conflict of interest to the extent that these individuals will be able to effect securities transactions and/or sell investment products and insurance for clients, for which they will receive separate, yet customary compensation. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Furthermore, these individuals, in their separate capacity as investment adviser representatives, may provide portfolio management services through Commonwealth, the details of which are fully described in Commonwealth's Form ADV. This presents a conflict of interest to the extent that these individuals recommend that a client open an account in which compensation is received as an investment adviser representative with Commonwealth. This service may be recommended to HSF clients for whom it is appropriate; however, no HSF client is obligated to use Commonwealth or its services. Commonwealth's fees and services are separate and distinct from the advisory services and fees of HSF. If an HSF client chooses to implement HSF's recommendations through Commonwealth's registered investment advisers, the client should refer to Commonwealth's disclosure document(s) and client contract.

While these individuals endeavor at all times to put the interest of the clients first as part of HSF's fiduciary duty, clients should be aware that the receipt of additional compensation creates conflicts of interest.

We will attempt to mitigate the above conflicts of interest by:

- Informing you of conflicts of interest in our disclosure document and agreement

- Maintaining and abiding by our Code of Ethics (as described in Item 11 of this brochure), which requires us to place your interests first and foremost
- Advising you of the right to decline to implement our recommendations and the right to choose other financial professionals for implementation.

Paul Honeycutt has established a sole proprietorship that conducts business under the name Honeycutt Smith & Associates (“HS&A”). Certain insurance activities of Paul Honeycutt and other associated persons of HSF are provided through HS&A.

HS&A may receive one-time and/or ongoing referral fees for client referrals to Employment Stock Ownership Plan consultants (“ESOP consultants”) and various investment bankers. HS&A may also receive an ongoing share of commissions from group insurance brokers for client referrals. HSF’s Financial Planning clients are not obligated to use any of these entities for the implementation of their financial plans. All implementation decisions are at clients’ sole discretion.

These individuals spend as much as 66% of their time with all of these related activities.

## Item 11 – Code of Ethics

### POLICY

HSF, as a matter of policy and practice, and consistent with industry best practices and SEC requirements (SEC Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Investment Company Act, which is applicable if the firm acts as investment adviser to a registered investment company), has adopted a written Code of Ethics covering all supervised persons. Our firm’s Code of Ethics requires high standards of business conduct, compliance with federal securities laws, reporting and recordkeeping of personal securities transactions and holdings, reviews and sanctions.

### BACKGROUND

In July 2004, the SEC adopted an important rule (Rule 204A-1) similar to Rule 17j-1 under the Investment Company Act, requiring SEC advisers to adopt a code of ethics. The new rule was designed to prevent fraud by reinforcing fiduciary principles that govern the conduct of advisory firms and their personnel.

The Code of Ethics rule had an effective date of 8/31/2004 and a compliance date of 2/1/2005. Among other things, the Code of Ethics rule requires the following:

- Setting a high ethical standard of business conduct reflecting an adviser’s fiduciary obligations;
- Compliance with federal securities laws;
- Access persons to periodically report personal securities transactions and holdings, with limited exceptions;
- Prior approval for any IPO or private placement investments by access persons;

- Reporting of violations;
- Delivery and acknowledgement of the Code of Ethics by each supervised person;
- Reviews and sanctions;
- Recordkeeping; and
- Summary Form ADV disclosure.

An investment adviser's Code of Ethics and related policies and procedures represent a strong internal control with supervisory reviews to detect and prevent possible insider trading, conflicts of interest and potential regulatory violations.

#### RESPONSIBILITY

Paul Honeycutt, CFP® has the primary responsibility for the preparation, distribution, administration, periodic reviews, monitoring our Code of Ethics, practices, disclosures, sanctions and recordkeeping.

#### PROCEDURE

HSF has adopted procedures to implement the firm's policy on personal securities transactions and our Code of Ethics and reviews to monitor and ensure the firm's policy is observed, implemented properly and amended, as appropriate, which include the following:

- Formal adoption of the firm's Code of Ethics by management.
- The Chief Compliance officer annually distributes the current Code of Ethics to all supervised persons and to all new supervised persons upon hire.
- Each supervised person must acknowledge receipt of the firm's Code of Ethics initially upon hire and annually and return a signed acknowledgement/ certification form to the Chief Compliance Officer.
- The Chief Compliance Officer, with other designated officer(s), annually reviews the firm's Code of Ethics and updates the Code of Ethics as may be appropriate.
- The Chief Compliance Officer periodically reviews access persons' personal transactions/ holdings reports.
- The Chief Compliance Officer, or his/her designee, retains relevant Code of Ethics records as required, including but not limited to, Codes of Ethics, as amended from time to time, acknowledgement/ certification forms, initial and annual holdings reports, quarterly reports of personal securities transactions, violations and sanctions, among others.
- The firm provides initial and periodic education about the Code of Ethics, and each person's responsibilities and reporting requirements, under the Code of Ethics.
- The firm's Form ADV Part II is amended and periodically reviewed by the Chief Compliance Officer to appropriately disclose a summary of the firm's Code of Ethics.
- The Chief Compliance Officer is responsible for receiving and responding to any client requests for the firm's Code of Ethics and maintaining required records.

HSF's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Paul Honeycutt.

#### PARTICIPATION OR INTEREST IN CLIENT TRANSACTION

HSF or individuals associated with HSF may buy or sell securities identical to or different than those recommended to clients for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of HSF that no person employed by HSF may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent a conflict of interest, HSF has established the following restrictions in order to ensure its fiduciary responsibilities:

A director, officer or employee of HSF shall not buy or sell securities for his or her personal portfolio(s) where such decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available the investing public on reasonable inquiry. No person of HSF shall prefer his or her own interest to that of the advisory client.

HSF maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. Paul Honeycutt, President of HSF, or another appropriate officer/individual of HSF will review these holdings on a regular basis.

All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.

HSF emphasizes the unrestricted right of the client to decline to implement any advice rendered.

- HSF emphasizes the unrestricted right of the client to select and choose any broker or dealer and/or insurance company (s)he wishes.
- HSF requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

Any individual not in observance of the above may be subject to termination.

## Item 12 – Brokerage Practices

#### DIRECTED BROKERAGE – BROKERAGE RECOMMENDATIONS

HSF's financial planning practice, due to the nature of its business and client needs, does not include blocking trades, negotiating commissions with broker dealers or obtaining volume discounts, nor necessarily obtaining the best price. Clients should understand that if they elect to have plans implemented (i.e., the actual placement of transactions) by HSF, that lower commissions or better execution may be able to be achieved, for certain types of securities, elsewhere.

As previously disclosed, the associated persons of HSF are separately registered as representatives of Commonwealth. In general, HSF will recommend the use of Commonwealth and these individuals to clients for implementation of financial planning recommendations, provided that this recommendation is consistent with HSF's fiduciary duty to the client. Any commissions or other compensation received from the implementation of financial planning recommendations is separate and distinct from HSF's advisory fee.

No financial planning client is obligated to use Commonwealth to implement any recommended transactions. However, if the financial planning client wishes to implement the plan through the associated persons of HSF, then the broker/dealer used must be Commonwealth. Under such circumstances, client transactions will be charged according to Commonwealth's then-current commission schedule and clients may pay higher commission rates and other fees than otherwise available. The client may be assessed transaction fees charged by custodians and/or product sponsors, in addition to normal and customary commissions, all of which are fully disclosed to the client. These fees and expenses are separate and distinct from any financial planning fee(s) charged by associated persons of HSF.

Commonwealth offers our firm and our firm's advisory representatives one or more forms of financial benefits based on our advisory representatives' total AUM held at Commonwealth and financial assistance for advisory representatives transitioning from another firm to Commonwealth. The types of financial benefits that our advisory representatives may receive from Commonwealth include, but are not limited to, forgivable or unforgivable loans, enhanced payouts, and discounts or waivers on transaction, platform, and account fees; technology fees; research package fees; financial planning software fees; administrative fees; brokerage account fees; account transfer fees; and the cost of attending conferences and events. The enhanced payouts, discounts, and other forms of financial benefits that advisory representatives may receive from Commonwealth are a conflict of interest and provide a financial incentive for advisory representatives to recommend implantation of planning recommendations in their roles as registered representatives and/or investment adviser representatives of Commonwealth. We attempt to mitigate this conflict of interest by disclosing the conflict in this brochure, and by engaging in a regular review of our relationship with Commonwealth to ensure the relationship continues to be appropriate in all respects for our firm's clients.

## Item 13 – Review of Accounts

### REVIEWS AND REPORTS OF ACCOUNTS

REVIEWS: Due to the nature of this service, client plans are typically reviewed on a case by case basis to help ensure that the plan still reflects the client's financial goals and objectives, and to amend the plan to accommodate any changes in the client's circumstances (retirement, marriage, disability, etc.).



REPORTS: Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided by HS unless otherwise contracted for at the inception of the advisory relationship.

However, the client may, at his or her discretion, choose to implement the financial plan through a related person of HSF in his/her independent capacity as a registered representative of Commonwealth. In that event, the client will receive monthly, quarterly and/or annual statement from investment companies, product sponsors, broker/dealers and/or custodians.

## Item 14 – Client Referrals and Other Compensation

### CLIENT REFERRALS

HSF does not directly nor indirectly compensate any person for client referrals. HSF does not receive cash or any economic benefit from any non-clients in connection with giving advice to clients.

### ADDITIONAL COMPENSATION

The associated persons of HSF may receive 12b-1 distribution fees and other commissions from investment companies and product sponsors in connection with the placement of client funds. In addition, these related persons may receive a portion of the management and administrative fees charged to clients by third-party investment advisors. In such cases, the client shall be informed that the associated person is receiving such revenue in addition to any financial planning fee(s) paid by the client.

While these individuals endeavor at all times to put the interest of the clients first as part of HSF's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest. We attempt to mitigate this conflict as described previously in this brochure.

Representatives of HSF, in their role as registered representatives from Commonwealth, may also receive financial benefits from investment sponsors related to their attendance at sponsor education meetings and/or marketing support for client events as provided for under applicable FINRA Rules. Clients should be aware that your advisor's receipt of commissions, fees, payments, and other compensation presents a conflict of interest because your advisor has an incentive to recommend those products or programs that provide such compensation to advisor. We attempt to mitigate this conflict as described previously in this brochure.

## Item 15 – Custody

HSF does not have custody of any advisory clients' cash, bank accounts, or securities.

## Item 16 – Investment Discretion

HSF does not have discretionary authority to manage security accounts on behalf of clients. HSF does not select the identity or amount of securities to be bought or sold in client accounts.

## Item 17–Voting Client Securities

As a matter of firm policy and practice, HSF does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. HSF may provide advice to clients regarding the clients' voting of proxies. In the event HSF chooses to provide advice to clients designed to assist the client in making a decision as to how to vote their proxies, HSF has a fiduciary duty to disclose to the client any material conflicts of interest the advisor may have with respect to such advice.

## Item 18-Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about HSF's financial condition. HSF has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## Item 19 – Requirements for State-Registered Advisers

### EDUCATION AND BUSINESS STANDARDS

Advisory persons associated with HSF must possess, minimally, a college degree and/or appropriate business experience and all required licenses.

### EDUCATION AND BUSINESS BACKGROUND

**PAUL E. HONEYCUTT**                      **BORN: 1955**

#### EDUCATION:

- Graduated with Distinction from University of Virginia in 1977 with a BS in Commerce-Management Information Systems
- Graduated with Honors from University of Southern California in 1985 with a Master of Science degree in Systems Management

#### EMPLOYMENT HISTORY:

- President, Secretary, Treasurer, Chief Compliance Officer, H.S. Financial Inc., from 07/05 to present.
- Sole Proprietor d/b/a Honeycutt Smith & Associates from 1993 to present.
- Investment Adviser Representative & Registered Representative, Commonwealth Equity Services, Inc. d/b/a Commonwealth Financial Network from 02/05 to present.

- Investment Adviser Representative, Lincoln Financial / CIGNA Financial Advisors from 12/87 to 02/05.

EXAMINATIONS AND PROFESSIONAL DESIGNATIONS:

- Series 63, Uniform Securities Agent State Law Examination, 1988
- Series 7, General Securities Representative Examination, 2003
- Series 6, Investment Company and Variable Contracts Products Rep Exam, 1987
- Series 22, Direct Participation Programs Representative Examination, 1986
- Series 2, Non-Member General Securities Examination, 1996
- Series 30, Branch Manager Examination – Futures, 2008
- Series 31, Futures Managed Funds Examination, 2006
- Certified Financial Planner (CFP®) (granted by the CFP Board of Standards), 1991

To obtain the CFP certification, your advisor had to complete a CFP-board registered program in financial planning or hold one of the following recognized designations: Certified Public Accountant (CPA), Chartered Financial Consultant® (ChFC®), Chartered Life Underwriter® (CLU®), Chartered Financial Analyst® (CFA®), PhD in Business or Economics, Doctor of Business Administration, or an Attorney's License.

Additionally, your advisor had to demonstrate that he or she held a bachelor's degree (or higher) from an accredited college or university (if they earned their CFP certification on or after January 1st, 2007), and three years of full-time personal financial planning experience. Finally, the advisor had to pass a proctored examination to complete the course of study. To maintain the designation, your advisor completes 30 hours of continuing education every two years.

- Accredited Investment Fiduciary (AIF®) (granted by FI360), 2006

To obtain the AIF® designation, your advisor had to complete either a self-study module or a combination of a classroom and self-study module. The advisor then had to pass a closed-book, proctored examination to complete the course of study. To maintain the designation, your advisor completes six hours of continuing education every year.

**RONALD F. SMITH**

**BORN: 1935**

EDUCATION:

Attended Penn State University from 1952 to 1954, majoring in General Arts & Sciences

EMPLOYMENT HISTORY:

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- Investment Adviser Representative, H.S. Financial Inc., from 02/05 to present. Investment Adviser Representative & Registered Representative, Commonwealth Equity Services, Inc. d/b/a Commonwealth Financial Network from 02/05 to present.
  - Investment Adviser Representative, Lincoln Financial / CIGNA Financial Advisors from 08/89 to 02/05.
  - Served in various capacities in the Insurance Industry from 1957 to present, including 18 years at John Hancock Insurance Company and 18 years with Mutual Benefit Life Insurance Company in positions varying from sales manager to second vice president of agency development.

EXAMINATIONS AND PROFESSIONAL DESIGNATIONS:

- Series 63, Uniform Securities Agent State Law Examination, 1986
- Series 7, General Securities Representative Examination, 1986
- Chartered Financial Consultant (ChFC) (granted by the American College), 1989

To obtain the ChFC designation, your advisor had to complete a proctored final exam for each of a series of six core study modules and two elective study modules. Additionally, he or she had to demonstrate three years of full-time business experience within the five years preceding the awarding of the designation. To maintain the designation, your advisor completes 30 hours of continuing education every two years.

- Chartered Life Underwriter (CLU), 1979 To obtain the CLU designation, your advisor had to complete a proctored final exam for each of a series of five core study modules and three elective study modules. Additionally, he or she had to demonstrate three years of full-time business experience within the five years preceding the awarding of the designation. To maintain the designation, your advisor completes 30 hours of continuing education every two years.