

# The Financial Consulate, Inc.

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March 26, 2024

Form ADV, Part 2A Brochure

*This brochure provides information about the qualifications and business practices of The Financial Consulate, Inc. If you have any questions about the contents of this Brochure, please contact our Compliance & Marketing Coordinator, Shannon Cooper, at 410-823-7283. 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 Financial Consulate, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*References herein to The Financial Consulate, Inc. as a "registered investment advisor" or any reference to being "registered" does not imply a certain level or skill or training.*

## ITEM 2 – MATERIAL CHANGES

This item discusses specific material changes that are made to the brochure (Form ADV 2) and provides clients and prospective clients with a summary of such changes from year to year (or more frequently if required).

Our brochure has been amended to include an Important Disclosures section in which information is provided regarding The Consulate's services and portfolio management. Furthermore, Item 12 has been revised to remove disclosure regarding TD Ameritrade.

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### SEC "AMENDMENT TO ADV"

Pursuant to SEC Rules, we will ensure you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our brochure may be requested at any time without charge by contacting Shannon Cooper, Compliance and Marketing Coordinator, at 410-823-7283. Our brochure is also available on our website: [www.financialconsulate.com](http://www.financialconsulate.com).

Additional information about The Financial Consulate, Inc. is available via the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with The Financial Consulate, Inc. who are registered, or are required to be registered, as investment advisor representatives of The Financial Consulate, Inc.

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## ITEM 4 – ADVISORY BUSINESS

### FIRM BUSINESS

The Financial Consulate, Inc. (herein referred to as “The Consulate”) is a Fee-Only™ financial advisory firm. The Consulate has been in operation since 1983. The Consulate provides comprehensive and modular financial planning services as well as discretionary and non-discretionary investment management services. The Consulate is principally owned by Andrew Tignanelli.

### FIRM MISSION STATEMENT

The Consulate’s mission is “to help lessen the worry and burden of wealth management and enhance financial wellness so our clients can pursue relationships and true fulfillment.”

### FINANCIAL PLANNING SERVICES

The Consulate provides financial planning as well as investment management services in pursuit of our mission. The primary services offered are the following:

- **FINANCIAL PHYSICAL®**: This service is an overview of your personal finances. It begins with an examination of your personal and financial goals and objectives; then, through that lens, a detailed analysis of your financial realm is completed, to include the following: cash flow, net worth, estate planning, tax planning, company benefits, insurance planning, education planning, and investment and retirement planning. This service is customized based on clients’ individual situations and especially so for the self-employed, business owners, and those in or immediately preparing for retirement. Upon completion, you are provided with a framework for examining your financial decisions, a tailored list of recommendations, projections of retirement scenarios and an action plan to aid you in the implementation of the recommendations. This service is completed in two meetings, totaling four-to-five consultation hours with multiple members of the planning staff.

### INVESTMENT ADVISORY SERVICES

- **FINANCIAL MANAGEMENT**: This service includes perpetual financial advisory services and discretionary investment management. The Financial Consulate designs managed portfolios using a blend of individual stocks, mutual funds, exchange traded funds, bonds, alternative investments, certificates of deposit,

money market vehicles, and/or other security types. The design of the portfolio is dependent upon your needs, goals, time horizon, and risk tolerance.

- **FINANCIAL SUPERVISION:** This is a service that compliments some clients' total investment strategy and estate planning. This unique service allows you to have assets not managed by The Consulate, under our non-discretionary supervision. This allows you to manage a portion of your total portfolio as you choose but consolidate all investments for ease of transition in the case of a death or disability.
- **RETIREMENT PLAN PARTICIPANT ACCOUNT MANAGEMENT:** This service includes perpetual discretionary, non-discretionary investment management, and/or plan or participant account investment consultation. The Financial Consulate designs managed portfolios using a blend of individual stocks, mutual funds, exchange traded funds, bonds, alternative investments, certificates of deposit, money market vehicles, and/or other security types. The design of the portfolio is dependent upon the plan's or participant's needs, goals, time horizon, regulatory requirement, and risk tolerance.

The Financial Consulate, Inc. can custom tailor a relationship to blend both management and supervision. This allows a client to maintain total control of a pre-determined portion of the portfolio. This also creates optimal flexibility and accountability.

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#### SPECIALTY SERVICES

- **RETIREMENT PLAN MANAGEMENT:** This service was developed to help guide our corporate clients in adopting and operating retirement plans for their employees. We work with employers to help identify the appropriate type of retirement plan, identify and retain other service providers, enroll employees as plan participants, and manage plan investments.
- **CORPORATE SEMINARS:** Members of The Consulate have been providing local and regional companies and municipalities with educational seminars for over 20 years. Each seminar is based on the Financial Physical® methodology and catered to each company's specific employee benefits package and audience.
- **GENERAL:** The Consulate may provide a la carte analysis not included in the above referenced services for an hourly charge of \$200. This is done at the discretion of management on a case-by-case basis. Services provided in this form will generally be an exception to our standard operating practices.

- **RETIREMENT PLAN ROLLOVER RECOMMENDATIONS:** When The Financial Consulate provides investment advice about your retirement plan account or individual retirement account (“IRA”) including whether to maintain investments and/or proceeds in the retirement plan account, roll over such investment/proceeds from the retirement plan account to a IRA or make a distribution from the retirement plan account, we acknowledge that The Financial Consulate is 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. The way The Financial Consulate makes money creates conflicts with your interests so The Financial Consulate operates under a special rule that requires The Financial Consulate to act in your best interest and not put our interest ahead of you.

Under this special rule’s provisions, The Financial Consulate must as a fiduciary to a retirement plan account or IRA under ERISA/IRC:

- Meet a professional standard of care when making investment recommendations (e.g., give prudent advice);
- Never put the financial interests of The Financial Consulate ahead of you when making recommendations (e.g., give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that The Financial Consulate gives advice that is in your best interest;
- Charge no more than is reasonable for the services of The Financial Consulate; and
- Give Client basic information about conflicts of interest.

To the extent we recommend you roll over your account from a current retirement plan account to an individual retirement account managed by The Financial Consulate, please know that The Financial Consulate and our investment adviser representatives have a conflict of interest.

We can earn increased investment advisory fees by recommending that you roll over your account at the retirement plan to an IRA managed by The Financial Consulate. We will earn fewer investment advisory fees if you do not roll over the funds in the retirement plan to an IRA managed by The Financial Consulate.

Therefore, our investment adviser representatives have an economic incentive to recommend a rollover of funds from a retirement plan to an IRA which is a conflict of interest because our recommendation that you open an IRA account to be managed by our firm can be based on our economic incentive and not based exclusively on whether or not moving the IRA to our management program is in your overall best interest.

We have taken steps to manage this conflict of interest. We have adopted an impartial conduct standard whereby our investment adviser representatives will (i) provide investment advice to a retirement plan participant regarding a rollover of funds from the retirement plan in accordance with the fiduciary status described below, (ii) not recommend investments which result in The Financial Consulate receiving unreasonable compensation related to the rollover of funds from the retirement plan to an IRA, and (iii) fully disclose compensation received by The Financial Consulate and our supervised persons and any material conflicts of interest related to recommending the rollover of funds from the retirement plan to an IRA and refrain from making any materially misleading statements regarding such rollover.

When providing advice to you regarding a retirement plan account or IRA, our investment advisor representatives will act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on the investment objectives, risk, tolerance, financial circumstances, and a client's needs, without regard to the financial or other interests of The Financial Consulate or our affiliated personnel.

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#### TAX & ACCOUNTING SERVICES

- **TAX PREPARATION:** The Consulate provides tax services for Individuals, LLCs, Corporations, Partnerships, and Trusts & Estates.
- **BOOKKEEPING & WRITE-UP SERVICES:** The Consulate provides bookkeeping and financial write-up services.
- **QUICKBOOKS® SERVICES:** The Consulate provides QuickBooks® installation and support services.

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#### FIRM PRACTICES

The Consulate tailors its advisory services to the individual needs of each client. Financial planning and investment management services are predicated on the values and goals of

each client. Also incorporated are the client's tolerance and capacity for investment risk, specific investment objectives, and time horizons regarding distributions. As time progresses and clients provide feedback on financial planning recommendations and their investment portfolio's response to various market and economic stimuli, The Consulate may adjust recommendations and/or investment strategy accordingly. Clients are also invited and encouraged to provide such feedback in annual Personal Financial Reviews. Clients may also place specific restrictions on the type and allocation of investments; such instructions must be given in writing.

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#### ASSETS UNDER MANAGEMENT

As of December 31, 2023, The Consulate had \$782,269,600 under management on a discretionary basis.

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#### OTHER INVESTMENTS AVAILABLE

Individual Separately Managed Accounts by investment management companies that participate in Charles Schwab & Co., Inc. and/or Fidelity Investments' managed account program. These accounts normally require large starting amounts with 100 thousand dollars being the minimum account size. Many companies require a 250 thousand dollar minimum. These types of managed accounts are best for clients with more than 1 million dollars of invested assets as the minimums are substantial and The Consulate desires ample diversification of managers.

#### IMPORTANT DISCLOSURES

##### Use of Mutual and Exchange Traded Funds

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

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

##### Independent Managers

The Consulate may allocate a portion of the client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Managers shall have day-to-day



responsibility for the active discretionary management of the allocated assets, including, to the extent applicable, proxy voting responsibility. The Consulate shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors that The Consulate shall consider in recommending Independent Managers include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by Independent Managers is separate from, and in addition to, The Consulate's investment advisory fee disclosed at Item 5 below

#### Interval Funds/Risks and Limitations

Where appropriate, The Consulate may utilize interval funds (and other types of securities that could pose additional risks, including lack of liquidity and restrictions on withdrawals). An interval fund is a non-traditional type of closed-end mutual fund that periodically offers to buy back a percentage of outstanding shares from shareholders. Investments in an interval fund involve additional risk, including lack of liquidity and restrictions on withdrawals.

During any time periods outside of the specified repurchase offer window(s), investors will be unable to sell their shares of the interval fund. There is no assurance that an investor will be able to tender shares when or in the amount desired. There can also be situations where an interval fund has a limited amount of capacity to repurchase shares and may not be able to fulfill all purchase orders. In addition, the eventual sale price for the interval fund could be less than the interval fund value on the date that the sale was requested.

While an interval fund periodically offers to repurchase a portion of its securities, there is no guarantee that investors may sell their shares at any given time or in the desired amount. As interval funds can expose investors to liquidity risk, investors should consider interval fund shares to be an illiquid investment. Typically, the interval funds are not listed on any securities exchange and are not publicly traded. Therefore, there is no secondary market for the fund's shares.

Because these types of investments involve certain additional risk, these funds will only be utilized when consistent with a client's investment objectives, individual situation, suitability, tolerance for risk and liquidity needs. Investment should be avoided where an investor has a short-term investing horizon and/or cannot bear the loss of some, or all, of the investment. There can be no assurance that an interval fund investment will prove profitable or successful. In light of these enhanced risks, a client may direct The Consulate, in writing, not to purchase interval funds for the client's account

### Portfolio Activity

The Consulate has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, The Consulate will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when The Consulate determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

### Cash Positions

The Consulate treats cash as an asset class. As such, unless determined to the contrary by The Consulate, all cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating The Consulate's advisory fee. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, The Consulate's advisory fee could exceed the interest paid by the client's cash positions.

### Cash Sweep Accounts

Certain account custodians can require that cash proceeds from account transactions or new deposits, be swept to and/or initially maintained in a specific custodian designated sweep account. The yield on the sweep account will generally be lower than those available for other money market accounts. When this occurs, to help mitigate the corresponding yield dispersion The Consulate shall (usually within 30 days thereafter) generally (with exceptions) purchase a higher yielding money market fund (or other type security) available on the custodian's platform, unless The Consulate reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to the amount of dispersion between the sweep account and a money market fund, the size of the cash balance, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

The above does not apply to the cash component maintained within a The Consulate actively managed investment strategy (the cash balances for which shall generally remain in the custodian designated cash sweep account), an indication from the client of a need for access to such cash, assets allocated to an unaffiliated investment manager and cash balances maintained for fee billing purposes.

The client shall remain exclusively responsible for yield dispersion/cash balance decisions and corresponding transactions for cash balances maintained in any The Consulate unmanaged accounts.

### Client Obligations

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

### Cybersecurity Risk

The information technology systems and networks that The Consulate and its third-party service providers use to provide services to The Consulate's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in The Consulate's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and The Consulate 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 The Consulate has established procedures to reduce the risk of cybersecurity incidents, there is no guarantee that these efforts will always be successful, especially considering that The Consulate 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.

## ITEM 5 – FEES AND COMPENSATION

### FINANCIAL PLANNING SERVICES

- Financial Physical®: \$5,000

Clients who engage the Financial Consulate for Financial Management, Supervision, or a combination thereof will receive a billing credit towards those services in the amount of the financial planning fee paid.

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## SPECIALTY SERVICES

- Retirement Plan Management: Negotiated on a per plan basis
  - Participants under “Retirement Plan Management” are considered to be entitled to the service offering specifically identified within the plan contract and are not (without separate engagement) considered clients of Personal Financial Management or Supervision. As such, they are not subject to the minimum fee detailed below but are also not entitled to the financial planning and other service offerings described without a separate engagement. Retirement plan management includes, but is not limited to: Simple IRA plans, 403(b) plans, 401(k) plans (not I401(k)), and others.
- Corporate Seminars: \$200/hour.
- General & Customized Services: \$200/hour, or as quoted.
  - For engagements that fall outside of our normal scope or provided to non-traditional clients, management alone may elect to offer a customized engagement to fit a client’s need.

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## TAX & ACCOUNTING SERVICES

- Tax Preparation: Based on complexity and determined on a return-by-return basis.
- Other Tax and Accounting Services: Based on complexity, billed hourly at the rate of the accountant or team member doing the work. Rates begin at \$30 per hour.

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## PERSONAL FINANCIAL MANAGEMENT

- Managed Portfolios including Equity\*
  - Active and Index-Oriented Allocation Portfolios
    - 1.0% of the first \$1,000,000
    - 0.7% of assets over \$1,000,000 to \$5,000,000
    - 0.5% of assets over \$5,000,000
    - 0.25% of assets over \$25,000,000

- Managed Portfolios without Equity\*
  - Income
    - 0.50% of all assets
  - Short Term Cash
    - 0.25% of all asset
- Separately Managed Accounts\*, \*\*
  - Equity-based strategies
    - 0.50% of all assets
  - Income-based strategies
    - 0.25% of all assets
- Guaranteed Withdrawal Annuities
  - 0.25% of all assets

The annual financial management fee is billed quarterly at a rate of  $\frac{1}{4}$  of the annual management fee. Portfolio assets are re-valued each quarter and 25% of the applicable annual fee percentage is then due. This fee covers determination of client objectives, risk tolerance, present portfolio analysis, portfolio development, portfolio monitoring, and ongoing financial planning advice. This fee is negotiable on a client-to-client basis. The Consulate also retains discretion to modify the fee structure in writing to the client.

New financial management clients are billed for the time remaining in the initial quarter at the beginning of the next quarter. Thereafter, fees are payable at the beginning of each quarter based on the account value at that time.

\*Some accounts may be billed at a different rate based on other factors.

\*\*Accounts contracted at higher rates have been reduced to the current rate. SMAs contracted at lower rates have been grandfathered into the lower rates as of this filing.

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#### FINANCIAL SUPERVISION

0.20% of all assets under supervision. This may be negotiated for clients with supervised assets over \$5,000,000 or significant managed assets also being billed.

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#### MINIMUM FEE FOR ONGOING SERVICES

Clients' fees will be calculated in accordance with the above schedules but are also subject to a minimum annualized fee of \$5,000. If a client's quarterly fee, as calculated with the above

schedules, generates less than \$1,250 per quarter in management fees, they will be charged an additional fee (equal to the difference of their calculated fee and \$1,250) in order to meet the minimum and will be allocated pro-rata from their accounts and billed in the same manner as their other fees. Existing clients with lower fee schedules may be grandfathered on a case-by-case basis on the scope of work and discretion of the advisor. Any existing clients will be given proper notification in advance and asked to sign a new contract prior to being billed.

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#### ADDITIONAL INFORMATION REGARDING FEES AND COMPENSATION

The specific manner in which fees are charged by The Consulate is established in a client's written agreement with the firm. The Consulate will generally bill its fees on a quarterly basis. Clients will be billed in advance of each calendar quarter. Clients authorize The Consulate to directly debit fees from accounts under our management and supervision. In some cases, clients will be billed directly for fees (when fees are not able to be debited directly from the account). In very limited situations clients may be able to choose to be billed directly for fees.

Management fees shall be prorated for each capital contribution and withdrawal in excess of \$15,000 made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. If the Advisory Contract is terminated by either party, advisory fees will be refunded on a prorated basis upon notice of termination.

The Consulate's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investments, and other third parties, such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees, and commissions are exclusive of and in addition to The Consulate's fee, and The Consulate shall not receive any portion of these commissions, fees, or costs.

Item 12 further describes the factors The Consulate considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

#### ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Consulate 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

The Consulate may provide portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. institutions.

New clients to the firm are subject to a minimum annualized fee of \$5,000.

Other restrictions on clients may be imposed based on offering minimums imposed by separate asset managers, and account types supported by technology partners for various service offerings.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

*Investing in securities involves risk of loss that clients should be prepared to bear.*

### RISK OPPORTUNITY INVESTING\*

The Consulate utilizes an investment strategy known internally as Risk Opportunity Investing. This strategy places a priority on the aim of capital preservation and involves analyzing investments based on three lenses of analysis: technical, fundamental, and macroeconomic. Risk Opportunity Investing seeks to blend the benefits of the following investment methods:

- Active Tactical Asset Allocation
  - Change the composition of the portfolio in response to changes in market conditions.
  - When the market is rising, the portfolio should be offensively positioned; when the market is falling, the portfolio is positioned to dampen volatility.
- Bottom-Up Fundamental Analysis
  - Analysis of the security and its value as a business entity or an investment.
- Top-Down Analysis
  - Process of gathering insight about which investments might outperform or underperform, given the macroeconomic environment.

- Technical Analysis
  - Analysis based on the information gained from observing the trading patterns of markets and individual securities.
- Others

\*Index portfolios are influenced by the same underlying philosophy of Risk Opportunity investing but have a distinct and inherent variation in terms of the tactical and analytical methods used when market capture is the priority.

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## INHERENT INVESTING RISKS

All investments involve risks, including the loss of capital. Investors should be prepared to bear risks including, but not limited to the following:

- **Interest-rate risk** is the risk that the value of a security will go down because of changes in interest rates.
- **Inflation risk** is the risk that increases in the prices of goods and services, and therefore the cost of living, reduce your purchasing power.
- **Currency risk** occurs because many world currencies float against each other. If money needs to be converted to a different currency to make an investment, any change in the exchange rate between that currency and yours can increase or reduce your investment return.
- **Liquidity risk** is the risk that you might not be able to buy or sell investments quickly for a price that is close to the true underlying value of the asset.
- **Sociopolitical risk** is the possibility that instability or unrest in one or more regions of the world will affect investment markets.
- **Management risk** also known as company risk, refers to the impact that bad management decisions, other internal missteps, or even external situations can have on a company's performance and, as a consequence, on the value of investments in that company.
- **Trading risk** is the risk that portfolio management strategies used may generate increased brokerage and other transaction costs and taxes. Such expenses, fees and taxes may have a negative impact on portfolio performance.
- **Credit risk**, also called default risk, is the possibility that a bond issuer won't pay interest as scheduled or repay the principal at maturity.



The investment decisions you make—and sometimes those you fail to make—can expose you to certain risks that can impede your progress toward meeting your investment goals.

**Borrowing Against Assets/Risks.** A client who has a need to borrow money could determine to do so by using:

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

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

- by taking the loan rather than liquidating assets in the client's account, The Consulate continues to earn a fee on such Account assets; and,
- if the client invests any portion of the loan proceeds in an account to be managed by The Consulate, The Consulate will receive an advisory fee on the invested amount; and,
- if The Consulate's advisory fee is based upon the higher margined account value, The Consulate will earn a correspondingly higher advisory fee. This could provide The Consulate with a disincentive to encourage the client to discontinue the use of margin.

The Client must accept the above risks and potential corresponding consequences associated with the use of margin or a pledged assets loan

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#### POOLED INVESTMENT RISK

The Consulate may invest clients' money with pooled investment vehicles, such as mutual funds. Each pooled investment vehicle may have risks specific to it. Clients should review each investment's prospectus, offering memoranda, or other documents that the client will, or has received, which set out a more detailed discussion of risks.

#### ITEM 9 – DISCIPLINARY INFORMATION

The Consulate is required to disclose all material facts regarding any legal or disciplinary events that would be material in your evaluation of our company or the integrity of its management. Neither The Consulate nor any of our firm's employees have been involved in any legal or disciplinary events applicable to this Item.

#### ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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#### FINANCIAL PLANNING, TAX & ACCOUNTING SERVICES

Clients are offered and receive not only investment advice, but also financial planning advice and in some cases, income tax preparation, bookkeeping, financial preparation, or other accounting services.

There is a flat fee for an initial Financial Physical<sup>®</sup> (or other financial planning or specialty service mentioned in Item 4), but clients who, beyond the scope of the planning engagement, pursue Financial Management services receive ongoing financial planning advice as part of their Financial Management fee. Clients who receive tax preparation or other accounting services are billed a separate fee in each year in which they receive those services.

The Financial Consulate also acts as a pension consultant and collects asset management fees for pension accounts.

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#### HISTORICAL COST BASIS RESEARCH

Extensive analysis and review of the cost basis of specific securities purchased prior to being transferred to The Consulate for Financial Management or Supervision may be billed at a rate no higher than \$150/hour.

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#### ANDREW V. TIGNANELLI, SOLE PROPRIETORSHIP

The Consulate's principal, Andrew V. Tignanelli, Founder, is a Registered Insurance Advisor for Life and Health Insurance in Maryland. Andrew V. Tignanelli was a sole proprietorship. The company still collects renewal commissions from pre-1996 sales of approximately \$700/year. All received commissions are donated to charity.

Mr. Tignanelli was also a licensed insurance agent prior to June of 1999. In June of 1999, Mr. Tignanelli dropped his insurance licenses and became an Insurance Advisor. As an insurance advisor, Mr. Tignanelli can still receive referral commissions, but he elects not to receive any referral fees or commissions now and has no plans to do so in the future.

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#### SCHWAB, FIDELITY, EQUITY INSTITUTIONAL, AND OTHER CUSTODIANS

The Consulate has an arrangement with Charles Schwab & Co, National Financial Services, LLC, Equity Institutional, and Fidelity Brokerage Services LLC (collectively and together with all affiliates, "Schwab, Equity Institutional, and Fidelity") through which Schwab, Equity Institutional and Fidelity provide The Consulate with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Schwab, Equity Institutional, and Fidelity's institutional platform services that assist The Consulate in managing and administering clients' accounts include software and other technology that: (i) provide access to client account data (such as trade confirmations and account statements), (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts, (iii) provide research, pricing and other market data, (iv) facilitate payment of fees from client accounts, and (v) assist with back-office functions, recordkeeping, and client reporting.

Schwab, Equity Institutional, and Fidelity also offer other services intended to help The Consulate manage and further develop its advisory practice. Such services include, but are not limited to: performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, and access to consultants and other third party service providers who provide a wide array of business-related services and technology, with whom The Consulate may contract directly.

The Consulate is independently operated and owned and is not affiliated with Schwab, Equity Institutional, or Fidelity.

Schwab, Equity Institutional, and Fidelity generally do not charge their advisor clients separately for custody services, but are compensated by account holders through

commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab, Equity Institutional, and Fidelity or that settle into Schwab, Equity Institutional, and Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Schwab, Equity Institutional, and Fidelity provide access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

The Consulate also has limited relationships with other platforms such as John Hancock, ADP, Guideline, and others for the servicing of retirement plans. The other relationships are limited in scope and account access is limited to reporting.

The Consulate also has limited relationships with other platforms or product providers such as Cantor Fitzgerald and Lincoln Financial for investment offerings. These providers have their own fees and disclosures separate from those of The Financial Consulate.

## ITEM 11 – CODE OF ETHICS

The Consulate has adopted a Code of Ethics for all firm employees describing its high standard of business conduct and fiduciary duty to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, as well as personal securities trading procedures. All Consulate employees must acknowledge the terms of the Code of Ethics annually or as amended.

### PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Consulate anticipates that, in appropriate circumstances and consistent with clients' investment objectives, we will recommend to investment advisory clients or prospective clients the purchase or sale of securities in which The Consulate, its affiliates, and/or clients, directly or indirectly, have a position of interest. The Consulate's employees and persons associated with The Consulate are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of The Consulate and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for The Consulate's clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of the employees of The Consulate will not interfere with: (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based

upon a determination that these would not materially interfere with the best interest of The Consulate's clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics, in some circumstances, would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics and to reasonably prevent conflicts of interest between The Consulate and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with The Consulate's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. The Consulate will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated in a random fashion. Any exceptions will be explained on the order.

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#### CROSS TRADING AND TRANSACTIONS

It is The Consulate's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. The Consulate will also not cross trades between client accounts. Principal transactions are generally defined as transactions in which an advisor, acting as principal for his or her own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by, or under common control of the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

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#### CODE OF ETHICS REQUESTS

The Consulate's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting:

Michael McCarthy  
410-823-7283  
11019 McCormick Rd, Suite 200  
Hunt Valley, MD 21031

SELECTING BROKERAGE FIRMS

The Consulate annually reviews the broker dealers selected and recommended for executing client trades and custody of assets.

Factors used in selecting or recommending custodians include:

- Trading expenses
- Financial security
- Standing in the investment community
- Product offering
- Technology
- Access to markets and tools

The Consulate uses Schwab, Equity Institutional, and Fidelity to handle the majority of client accounts. The Consulate chose Schwab, Equity Institutional, and Fidelity because of their technical abilities to facilitate portfolio management, their financial strength, and their trading practices. We regard them as four of the most financially-sound broker dealers. Other brokers may be used at the Consulate's discretion and will be used primarily for unique trades, such as foreign exchanges and small U. S. Stocks, or if a material execution savings is possible.

Schwab, Equity Institutional, and Fidelity do provide The Consulate with software facilitating client account management. The cost of the software is discounted solely from Schwab because we hold a large amount of client assets with them. Schwab may also offer access to research, entry or discounted entry to tradeshow, and other benefits. These discounts and offerings may create an incentive for The Consulate to suggest their use.

There is no corresponding commitment made by The Consulate to Schwab, Equity Institutional, Fidelity 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 arrangement.

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## SCHWAB COST CONSIDERATIONS

### Mutual funds:

No Transaction Fee (NTF) funds	N/A
All other funds	\$15

### Fixed Income:

Municipal, Government, and Corporate Bonds are priced competitively

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## FIDELITY TRADE CONSIDERATIONS

### Mutual funds:

No Transaction Fee (NTF) funds	N/A
All other funds	\$20

### Fixed Income:

Municipal, Government, and Corporate Bonds are priced competitively

Fidelity Investments imposes a fee on advisors who maintain less than \$25 million in assets on their platform to maintain access to the platform. This fee creates a conflict of interest for the Consulate to recommend clients to custody with Fidelity.

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## EQUITY INSTITUTIONAL

Equity Institutional as a custodian is utilized for unmanaged accounts to hold and transact alternative holdings at clients' direction.

### Annual Fee (upon opening and every Jan. 1 thereafter)

#### Account Size:

\$1-\$249,999	\$250
\$250,000 - \$499,999	\$300
\$500,000 - \$999,999	\$350
\$1,000,000 - \$2,499,999	\$450
\$2,500,000 - over	Negotiated

Other fees (wire, expedite, etc.) apply per account fee schedule.

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## LINCOLN FINANCIAL

Lincoln Financial serves as a custodian and insurance provider and is utilized for annuity products.

### Annual Fees

Variable annuity: 0.50%

Protected lifetime income benefit: 1.55%

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## GUIDELINE 401K

Guideline 401k serves as a Retirement Plan Provider, Custodian, and TPA for 401k plans.

### Annual Fees

\$39-\$99 per year+

\$8 Per Participant

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## NO PARTICIPATION IN TRANSACTION FEES

The Consulate receives nothing in return from Schwab, Equity Institutional, or Fidelity for transaction fees paid. We negotiate annually with Schwab, and Fidelity to lower their transaction fees for our clients. We also periodically review the offerings of other broker dealers to ensure optimal pricing.

## ITEM 13 – REVIEW OF ACCOUNTS

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### PERIODIC REVIEWS

**PERSONAL FINANCIAL MANAGEMENT AND SUPERVISION CLIENTS:** Reviews are offered annually or semi-annually for Personal Financial Management or Supervision clients with annual fees over \$2,500. Reviews cover any changes in the client's goals, needs, or situation. Each reviewer will go over these factors as well as the current performance and status of accounts. Reviews are completed by the senior advisors of the firm including the President, Chief Investment Officer, and/or others. For small household clients (those under \$2,500 of annual fees), at least annually, the advisor assigned will review client and account information, request an update of any changes to risk tolerance or time horizon to assess any necessary changes to the investment model or other considerations.



**PLAN AND PLAN PARTICIPANT ACCOUNTS:** Plan investment options and design, as well as participant accounts, are reviewed in accordance with each specific Plan’s service contract. Participant accounts are most commonly reviewed with participants at their option on plan enrollment days scheduled by their plan sponsor.

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#### NON-PERIODIC REVIEWS

All, non “Retirement Plan Management,” accounts are reviewed daily for material transactions. Factors which may cause materiality include deposits, withdrawals, journals, receipt of securities, transfers of securities, and return of principal. “Retirement Plan Management” accounts are reviewed for transactions on a biweekly schedule and for allocation on a weekly basis. This difference in review is a result of the predictable nature of retirement plan cash flows. Other types of events may also trigger a review on a non-periodic basis, including direct client requests regularly solicited through updates and alerts from The Consulate via email.

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#### REPORTING

The Consulate provides various reports as a service to its clients. Quarterly reports featuring the account performance, holdings, weightings, and billings are provided to all clients. On an annual basis, tax reports featuring the client’s gains, losses and expense information are provided for tax-sensitive accounts. Annually or semiannually, a report featuring allocation, growth, growth versus net investment, holdings, performance, and summarized flows is provided to the client in conjunction with their annual or semiannual review. Reports are provided in electronic format primarily through the use of an online secured client portal.

### ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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#### REFERRALS

The Consulate regularly refers clients to specialists and purveyors of financial products including, but not limited to, the following: attorneys and Certified Public Accountants, as well as agents and brokers providing life, disability, home, auto, health, long-term care, and liability insurance. The Consulate receives no economic benefit from any non-client to whom our clients may be referred. Additionally, we do not compensate any non-employees for referrals made to our firm; however, we may from time to time send a non-monetary gift to existing clients who make referrals.

We may receive benefits from custodians in the form of the support products and services they make available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The

availability to us of a custodian's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## ITEM 15 – CUSTODY

### CUSTODY

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

The Consulate is deemed to have custody of client funds and securities whenever it is given the authority to have fees deducted directly from client accounts. In addition, there are a small number of The Consulate client arrangements where our investment advisor representatives serve as trustee for the client. The role of trustee is imputed (or "assigned") to The Consulate and therefore we are deemed to have custody of those client funds and securities.

In addition, the Financial Consulate offers the following services that are also deemed to be custody of client funds:

- Locally safeguarding client settlement checks
- Providing bill pay and check writing services for clients
- The firm also has the ability to deduct miscellaneous fees, other than asset management fees
- Michael McCarthy and Andrew Tignanelli are Trustees of the Financial Consulate 401k and Employee Stock Ownership plans

We have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client (other than The Consulate's affiliated trustee) are also notified, in writing, of the qualified custodian's name, address, and the manner in which the funds or securities are maintained, promptly when the account is opened and following any changes. Account statements are delivered directly from the qualified custodian to each client, or the client's independent representative (other than the Adviser-affiliated trustee), at least quarterly. Finally, all client accounts, for which we are deemed to have custody, are subject to an annual surprise verification examination conducted by a third-party, independent accounting firm.

## **Internal Control Reporting**

Based on the SEC's definition of custody, The Consulate is deemed to have custody over accounts managed by The Consulate. For these accounts, The Consulate has established the following procedures to comply with the SEC's Custody Rule:

- All client funds and securities are held at Charles Schwab, Equity Institutional, or Fidelity Institutional, which serve as the qualified custodians, in separate accounts for each client under that client's name.
- Clients, or an independent representative of the client, will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address, and the manner in which the funds or securities are maintained.
- Account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from The Consulate. When clients have questions about their account statements, they should contact The Consulate or the qualified custodian preparing the statement.
- In accordance with SEC regulations The Consulate is subject to an annual surprise verification examination and an annual internal control review.
  - The Consulate must engage an independent, third-party accounting firm to perform an annual, surprise examination verifying the location of client funds and securities. When completed, the accounting firm's report will be available through the SEC's Investment Adviser Public Disclosure page at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our information on this website by searching for "The Consulate." You can also search using the firm's CRD number. The CRD number for the firm is 309962.
  - An internal control report must include an opinion of an independent public account as to whether controls have been placed in operation as of a specific date, are suitably designed, and are operating effectively to meet control objectives relating to custodial services held by The Consulate on behalf of our clients. The accounting firm must also verify that funds and securities of which The Consulate is deemed to have custody are reconciled to a custodian (i.e., Fidelity Institutional). The internal control report is prepared by a third-party accounting firm, not affiliated in any way with The Consulate that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB).

The Consulate is deemed to have custody of client funds and securities when The Consulate has standing authority (also known as a standing letter of authorization or “SLOA”) to move money from a client’s account to a third-party account.

## ITEM 16 – INVESTMENT DISCRETION

### DISCRETIONARY AUTHORITY

The Consulate ordinarily receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

#### **Investment objectives include:**

##### **Income Oriented Strategies**

- **SHORT TERM CASH** - The objective of this strategy is to generate current income. Portfolios will invest in short-term fixed income securities of One year or less in maturities. Accounts are not limited by security or investment type, except as specified by the client on Schedule A of the contract. The relative weighting between these security types will vary depending on available investment opportunities and market conditions.
- **INCOME** – The objective of this strategy is to generate current income. Income portfolios may also contain some dividend-paying stocks. Accounts are not limited by security or investment type except as specified by the client on Schedule A of the contract. The relative weighting between these security types will vary depending on available investment opportunities and market conditions.

##### **Active & Index Oriented Allocation Strategies**

The strategies below can be managed in an Active or Index-oriented style. Strategies by the same name may hold different securities, have different weightings, and will likely have different returns. Each strategy differs primarily based on risk tolerance levels and relative weightings of the target allocations.

- **CONSERVATIVE**– The objective of this strategy is income generation with capital appreciation. Accounts are not limited by security or investment type, except as specified by the client on Schedule A of the contract. The relative weighting between these security types will vary depending on available investment opportunities and market conditions, with the maximum allowable equity exposure capped at 50%.

- **BALANCED** - The objectives of this strategy are income generation and capital appreciation. Accounts are not limited by security or investment type, except as specified by the client on Schedule A of the contract. The relative weighting between these security types will vary depending on available investment opportunities and market conditions.
- **GROWTH & INCOME**– The objective of this strategy is capital appreciation with income generation. Accounts are not limited by security or investment type except as specified by the client on Schedule A of the contract. The relative weighting between these security types will vary depending on available investment opportunities and market conditions.
- **GROWTH** – The objective of this strategy is primarily capital appreciation. Accounts are not limited by security or investment type except as specified by the client on Schedule A of the contract. The relative weighting between these security types will vary depending on available investment opportunities and market conditions.

When selecting securities and determining amounts, The Consulate observes the investment policies, limitations, and restrictions of each client. For registered investment companies, The Consulate’s authority to trade securities may also be limited by certain federal securities and tax laws requiring diversification of investments and favor the holding of investments once made.

The holdings of different accounts among the same investment objective may vary based on custodial choice, timing of the investments/deposits, client cash needs, as well as the availability of securities at a chosen price level.

The Consulate establishes its discretionary authority under its contract with the client including a limited power of attorney. Investment guidelines and restrictions must be provided to The Consulate in writing.

The Consulate also offers Separately Managed Accounts, “SMAs”, as part of some managed portfolios. SMA accounts are traded by outside managers to execute specific strategies or to manage a specific segment of a client’s portfolio. The Consulate, in most cases, maintains the ability to hire and fire the manager and oversees the execution of the strategy. The Consulate may use a number of different providers and strategies for these offerings and maintains a due diligence file on all providers and strategies.

## ITEM 17 – VOTING CLIENT SECURITIES

The Consulate monitors corporate actions of individual issuers and investment companies consistent with its fiduciary duty to vote proxies in the best interest of its clients.

Regarding individual issuers, proxies may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans, and matters involving social issues and corporate responsibility. Regarding investment companies, proxies may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers.

Unless a client directs otherwise in writing, The Consulate shall be responsible for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other types of events pertaining to the asset.

Proxies are voted on a case-by-case basis. It is The Consulate's policy to vote against stock option grants to employees and other associates of the corporate entity. If any conflicts of interest are identified, we will maintain records documenting how such conflicts are addressed. The Consulate will refrain from voting proxies in limited circumstances in which the cost of voting the proxy exceeds the expected benefit to the client, such as voting foreign security proxies that would require travel or the services of a translator.

The Consulate or the client shall instruct each client custodian to forward copies of all proxies and shareholder communications relating to the managed assets to us. Information pertaining to how The Consulate voted on any specific proxy issue is available upon written request. We shall maintain records pertaining to proxy voting as required by the Advisor's Act, including copies of all client requests for information on how The Consulate voted proxies on behalf of the client.

Clients may obtain a copy of The Consulate's complete proxy voting policies and procedures upon request. Clients may also obtain information from The Consulate about how we voted any proxies on behalf of their account(s).

## ITEM 18 – FINANCIAL INFORMATION

Registered Investment Advisors are required in this Item to provide you with certain financial information or disclosures about our financial condition. The Consulate has financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.