

# Highsmith Financial Planning, LLC

A State of Indiana Registered Investment Adviser

## Form ADV Part 2

March 27, 2018

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<https://www.HighsmithFinancialPlanning.com>

This brochure provides information about the qualifications and business practices of Highsmith Financial Planning, LLC. If you have any questions about the contents of this brochure, please contact us at 317-340-4844 or [Steve@HighsmithFinancialPlanning.com](mailto:Steve@HighsmithFinancialPlanning.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. While the firm and its personnel are registered with the State of Indiana, it does not imply a certain level of skill or training on the part of the firm or its personnel.

Additional information about Highsmith Financial Planning, LLC is available on the SEC's website at <https://www.adviserinfo.sec.gov>. Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number, which is 152282.

**Material Changes**

Since its most recent brochure dated March 27, 2017, Highsmith Financial Planning, LLC has made material changes to its disclosures regarding:

the current hourly rate for services; please see Section 2: Fees and Compensation.

We encourage any client or prospective client to review this document in its entirety.

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## **Section 1 – Advisory Business**

Highsmith Financial Planning, LLC was organized in 2009 and has been registered with the Indiana Secretary of State, Securities Division as a Registered Investment Adviser firm since 2010. Stephen D. Highsmith, Jr. is 100% owner and sole principal of the firm.

We provide Fee-Only, hourly, as-needed financial planning and investment advice services to individuals from all walks of life. These services may be general in nature or focused on a particular area of interest or need, depending on the individual's unique circumstances.

An estimated 50% of our activities involve providing financial advice, which may include advice on income and expense planning, tax planning, insurance planning, estate planning, retirement planning and education planning, and an estimated 50% of our activities involve providing investment advice, which may include advice on asset allocation and investment selection.

Regarding the financial advice process, first, we gather information about the client's personal financial situation and then conduct a meeting with the client to clarify the client's personal financial information and determine the client's specific needs, objectives, goals and tolerance for risk. Then, we analyze the client's current financial situation and possible future scenarios, when appropriate. Next, we present a summary of significant observations, assumptions and recommendations in each area we were engaged to provide advice. The engagement is concluded upon completion of the presentation. The client may re-engage us as needed. Periodic reviews are recommended and it is the client's responsibility to initiate these reviews.

Regarding the investment advice process, first, we gather information about the client's personal financial situation and then conduct a meeting with the client to clarify the client's personal financial information and determine the client's specific needs, objectives, goals and tolerance for risk. Then, we recommend a proper asset allocation based on the client's personal financial situation. Then, we recommend specific investments to fill out the recommended asset allocation. Next, we recommend that the portfolio be maintained by rebalancing about annually and/or making adjustments as needed. The engagement is concluded upon completion of the recommendations. The client may re-engage us as needed. Periodic reviews are recommended and it is the client's responsibility to initiate these reviews.

## **Section 2 – Fees and Compensation**

Highsmith Financial Planning, LLC charges fees on a Fee-Only, hourly basis. Fees for financial planning and investment advice services are \$200 per hour, billed in six minute increments. We may also charge fixed fees that are based on our hourly rate multiplied by the approximate number of hours that are anticipated to provide the requested service. Fees are negotiable at our sole discretion.

We may require a deposit for engagements in the amount of the lesser of \$500 or half of the total estimated fee. The balance of fees due is payable immediately upon presentation of the advice to the client. Fees will not be collected for services to be performed more than six months in advance. For each engagement, proposed services and an estimated fee range are detailed in the written service agreement. Either party may terminate an engagement upon written notice within five days of signing the service agreement, at which time no fees are due. If the client terminates the engagement after this date, the client is responsible for any fees already incurred.

In connection with using our services, the client may also incur separate fees and expenses that are charged by mutual funds and/or exchange traded funds (ETFs). We recommend that the client review the investment prospectus for a complete explanation of these fees and expenses. In addition, the client may also incur separate transaction costs or administration fees from brokerage firms. We recommend that the client obtain a complete schedule of fees from their brokerage firm. We do not receive any portion of these other fees. We do not receive commissions or third-party payments of any kind. The only compensation we receive is in the form of hourly fees paid directly by the client.

### **Section 3 – Performance-Based Fees and Side-By-Side Management**

Highsmith Financial Planning, LLC does not charge fees based on a share of capital appreciation of the funds of an advisory contract, also known as performance-based fees. We also do not provide ongoing investment management services, so issues related to side-by-side management are not applicable.

### **Section 4 – Types of Clients**

Highsmith Financial Planning, LLC provides its services primarily to individuals. We do not require minimums as to income, assets, net worth, length of engagement, revenues generated or other conditions for engaging our services.

### **Section 5 – Methods of Analysis, Investment Strategies and Risk of Loss**

If Highsmith Financial Planning, LLC is engaged to provide investment advice, first, we gather information about the client's personal financial situation and then conduct a meeting with the client to clarify the client's personal financial information and determine the client's specific needs, objectives, goals and tolerance for risk. We employ a fundamental, long-term, buy-and-hold philosophy in regards to investment advice. We favor a passive approach to investing.

Then, we recommend a proper asset allocation based on the client's personal financial situation. We make asset allocation and investment policy decisions using our best judgment to help the client achieve their overall financial objectives and goals while minimizing risk exposure. We believe that the appropriate allocation of assets across diverse investment categories (i.e. stock vs. bond, foreign vs. domestic, large cap. vs. small cap., high quality vs. high yield, etc.) is the primary determinant of portfolio returns and is critical to the long-term success of a client's financial objectives and goals. Then, we recommend specific investments, primarily low-cost, no-load, index investments, to fill out the recommended asset allocation. Next, we recommend that the portfolio be maintained by rebalancing about annually and/or making adjustments as needed.

While we believe our investment strategy is designed to potentially produce the highest possible return for a given level of risk, it cannot guarantee that an investment objective or goal will be achieved. Some investment decisions made by us may result in loss, which may include the original principal amount invested. The client must be able to bear the various risks involved in investing, which may include market risk, liquidity risk, interest rate risk, currency risk or political risk, among others.

Low-cost, no-load, index investments have the potential to be affected by tracking error risk, which is defined as a deviation from the stated benchmark index.

#### **Section 6 – Disciplinary Information**

Neither Highsmith Financial Planning, LLC nor any of its personnel have been the subject of a reportable legal or disciplinary event.

#### **Section 7 – Other Financial Industry Activities and Affiliations**

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

#### **Section 8 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Highsmith Financial Planning, LLC has adopted a code of ethics that sets forth the basic policies of ethical conduct for all associated persons of the firm. We accept the obligation not only to comply with the mandates and requirements of all applicable laws and regulation, but also to take responsibility to act in an ethical and professionally responsible manner in all professional

services and activities. We will be happy to provide a copy of our code of ethics to any client or prospective client, upon request.

Neither Highsmith Financial Planning, LLC nor any of its personnel are authorized to recommend or effect a transaction for a client involving any security in which the firm or a related party has a material financial interest, such as in the capacity as an underwriter, advisor to the issuer, etc. Additionally, we are prohibited from borrowing from or lending to a client, unless that client is an approved financial institution or is an immediate family member. In such instances, authorization for the loan must be granted in advance and documented in writing.

At times personnel and related parties may hold positions in investments that are also recommended to the client. We may make recommendations or take actions with respect to investments that may differ in the nature or timing from recommendations made to, or actions taken for, other clients or personnel. However, at no time will the personnel or any related party receive preferential treatment over the client.

### **Section 9 – Brokerage Practices**

Highsmith Financial Planning, LLC is not affiliated with any bank, custodian or brokerage firm. If we are engaged to provide investment advice, we will offer to use the service provider with whom the client's assets are currently maintained. If the client prefers to use a new service provider, we will recommend one based on the need, overall cost and ease of use for the client.

Our policy is to restrict any non-cash compensation, or soft dollars, that we may receive from a service provider to only that which enhances our ability to render quality advice and service to the client. Although we may recommend one or more service providers to the client, we derive no special benefit from doing so, nor do we pay up to receive additional services.

The only compensation we receive is in the form of hourly fees paid directly by the client. Therefore, we do not receive any additional compensation when the client engages a recommended brokerage firm or other service provider.

We do not require or engage in directed brokerage involving our accounts. We recognize our obligation in seeking best execution for our clients; however, it is our belief that the determinative factor is not always the lowest possible cost, but whether the selected service provider's transactions represent the best qualitative execution while also taking into consideration the full range of services provided. Therefore, we will seek services involving competitive rates, but that may not correlate to the lowest possible rate for every transaction. We periodically review our policies regarding recommending service providers, in light of our duty to seek best execution.

## **Section 10 – Review of Accounts**

Highsmith Financial Planning, LLC does not provide continuous monitoring of its financial planning and investment advice services. Periodic reviews are recommended and it is the client's responsibility to initiate these reviews. We remind the client to notify us of any changes to their personal financial situation.

## **Section 11 – Client Referrals and Other Compensation**

Highsmith Financial Planning, LLC does not receive, nor does it pay, any fees for client referrals.

## **Section 12 – Custody**

Highsmith Financial Planning, LLC does not take custody of client cash, bank accounts or securities. The client's cash, bank accounts and securities will be maintained by unaffiliated, qualified custodians, such as banks, brokerage firms, mutual fund companies and transfer agents. The client will receive account statements directly from their service provider. These statements are typically provided on a monthly or quarterly basis or as account transactions occur.

We will not ask for, nor accept, any of the client's account access information, such as username and/or password, even for the accommodation of the client or the client's legal agent.

Firm personnel will not act as trustee for, or have full power of attorney over, a client account, unless as a co-trustee of an immediate or incompetent family member.

## **Section 13 – Investment Discretion**

Highsmith Financial Planning, LLC does not provide discretionary investment management services, so issues related to investment discretion are not applicable.

## **Section 14 – Voting Client Securities**

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

## **Section 15 – Financial Information**

Due to the nature of our services, an audited balance sheet is not required, nor included in this disclosure document. Highsmith Financial Planning, LLC does not have any financial conditions that require further disclosure.

**Part 2A Appendix 1 – Wrap Fee Program Brochure (Not Applicable)**

Highsmith Financial Planning, LLC does not sponsor a wrap fee program, so issues related to a wrap fee program are not applicable.

# Highsmith Financial Planning, LLC

A State of Indiana Registered Investment Adviser

## Part 2B – Brochure Supplement (Advisory Personnel)

March 27, 2018

Stephen D. Highsmith, Jr., CFP®  
Principal  
124 E. Northfield Drive, Ste. F, #103  
Brownsburg, IN 46112  
317-340-4844

<https://www.HighsmithFinancialPlanning.com>

This brochure supplement provides information about Stephen D. Highsmith, Jr. that supplements the Highsmith Financial Planning, LLC brochure. You should have received a copy of that brochure. Please contact Stephen D. Highsmith, Jr. at 317-340-4844 or [Steve@HighsmithFinancialPlanning.com](mailto:Steve@HighsmithFinancialPlanning.com) if you did not receive Highsmith Financial Planning's brochure or if you have any questions about the contents of this supplement.

Additional information about Stephen D. Highsmith, Jr. is available on the SEC's website at <https://www.adviserinfo.sec.gov>. Click on the "Investment Adviser Search" link and then search for "Investment Adviser Representative (IAR)" using "Stephen Dale Highsmith".

## Educational Background and Business Experience

**Name:** Stephen Dale Highsmith, Jr., CFP®<sup>1</sup> (Born 1965)

**Title:** Principal

**Education:** Boston University, Boston, MA  
Certificate, Financial Planning, 2015  
Butler University, Indianapolis, IN  
Master of Business Administration (concentration in Leadership), 2003  
Rose-Hulman Institute of Technology, Terre Haute, IN  
Bachelor of Science in Computer Science, 1987

**Experience:** Highsmith Financial Planning, LLC  
Principal, 10/09 – present  
Unified Fund Services, Inc., Indianapolis, IN  
Vice President of Finance & Treasurer, 12/05 – 9/09  
Vice President of Strategic Planning, 2/05 – 12/05  
Valued Advisers Trust, Indianapolis, IN  
Treasurer, 7/08 – 9/09  
Unified Financial Securities, Inc., Indianapolis, IN  
Senior Vice President & Treasurer, 2/05 – 9/09  
President & CEO, 10/01 – 2/05  
Senior Vice President & Chief Operating Officer, 11/97 – 10/01

<sup>1</sup> The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 76,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- **Education** – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its

equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;

- **Examination** – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- **Experience** – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- **Ethics** – Agree to be bound by CFP Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- **Continuing Education** – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- **Ethics** – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

### **Disciplinary Information**

Neither Highsmith Financial Planning, LLC nor any of its personnel have been the subject of a reportable legal or disciplinary event.

### **Other Business Activities**

Stephen D. Highsmith, Jr. does not participate in any other business activities.

### **Additional Compensation**

Neither Highsmith Financial Planning, LLC nor any of its personnel accept or receive additional economic benefit (i.e. sales awards or other prizes) for providing advisory services to clients.

### **Supervision**

Stephen D. Highsmith, Jr. serves in multiple capacities for Highsmith Financial Planning, LLC: Managing Member, Principal, Financial Planner and Investment Adviser Representative (IAR). We recognize that the lack of segregation of duties may potentially create conflicts of interest. However, we employ policies and procedures to ensure timely and accurate recordkeeping and supervision, including outsourcing certain functions to qualified entities to assist in these efforts when necessary.

Questions about Highsmith Financial Planning, LLC, its personnel, its services or this document may be posed to Stephen D. Highsmith, Jr. at 317-340-4844 or [Steve@HighsmithFinancialPlanning.com](mailto:Steve@HighsmithFinancialPlanning.com).