

THOMPSON FINANCIAL FIRM

BIANCA THOMPSON, CFP® | 5678 J STREET, NW WASHINGTON, DC 20008

October 15, 2021

Pat Ramirez
1234 J Street, NW
Washington, DC 20008

Dear Pat:

I enjoyed our conversation and I am pleased to be working with you. This letter gives you important information about the work that we (my firm and I) will do for you, how you will pay for services and products, and how we will be paid for the work that we will do for you.

You will find other important information and a description of my obligation to act in your best interests in my firm's Relationship Summary (Form CRS), Form ADV, Regulation Best Interest disclosure, Brokerage Agreement, and Investment Advisory Agreement. These documents provide additional information not in this letter, including about how you will pay and how we are paid. We gave you these documents. You should review them carefully and let us know if you have any questions.

WE WILL PROVIDE YOU THE FOLLOWING SERVICES AND PRODUCTS

You have engaged us to provide financial planning, investment advisory services, brokerage services, and risk management planning, which may include insurance solutions. We have explained to you the differences among each of these services. My firm's Form CRS describes the differences between brokerage services and investment advisory services. Please let me know if you want more information about the ways you may work with us.

Based on our recent conversation, we understand that you would like to focus on the following:

1. Cash flow planning, including preparing a cash flow summary and planning for an emergency fund;
2. Investment planning, including reviewing your current investment portfolio and developing and implementing an asset management strategy;
3. Retirement planning, including analyzing how likely you are to meet your target goals by your retirement date;
4. Estate, gift, and wealth transfer planning, including assessing your estate net worth and liquidity, and whether you should consider a trust for the benefit of your grandchildren; and
5. Risk management planning, including assessing your need for life insurance and your current insurance coverage.

Here is our approach to financial planning:

1. At first, we will ask you for information, so we can understand your personal and financial circumstances.
2. Then we will work with you to identify and select goals.
3. After you have chosen goals, we will analyze your current course of action and other approaches you might take.
4. Next, we will develop the financial planning recommendations.
5. Then we will present the financial planning recommendations to you, along with the information we considered to develop them.

6. After that, we will analyze and recommend actions, products, and services to implement the financial planning recommendations. We will work with you to decide which of my recommendations you would like to implement. We describe below how we will implement recommendations for specific accounts.
7. At least annually, we will monitor your financial plan. This will include:
 - a. Analyzing the progress you have made toward achieving your goals. We will remind you to tell us about changes in your personal and financial circumstances. When needed, we will update your goals, our recommendations, and the selection of the actions, products, and services we have recommended.
 - b. Monitoring the investments in your Investment Advisory Account and any actions we have taken.

MONITORING YOUR FINANCIAL PLAN WILL NOT INCLUDE MONITORING THE INVESTMENTS IN EITHER OF YOUR BROKERAGE ACCOUNTS. THIS IS YOUR RESPONSIBILITY.

You will find more information below about which accounts we monitor and which accounts you monitor.

Here is our approach to providing you **investment advisory** services:

1. At the beginning, we will meet with you to develop investment goals and strategies that are consistent with your financial planning goals.
2. We gave you our Investment Advisory Agreement. It describes our advisory relationship and my firm's investment practices that apply to you. We will manage the Investment Advisory Account on a *discretionary* basis. That means we will buy and sell investments for the account without first getting your specific authorization for each transaction. We will base these decisions solely on our best judgment about what is in your best interests at that time.
3. Our firm will hold (have custody of) the investment advisory assets that we will manage for you.
4. My firm will send you a report each calendar quarter that will show the value of your accounts, your accounts' performance, and other account-related information. The report will show all transactions made in the accounts during the quarter, and any costs or fees deducted from your accounts. In the meantime, you can access your monthly statement online.
5. We will monitor this account and when appropriate, update your goals, our recommendations, and the selection of the actions, products, and services we have recommended.

Here is our approach to providing you **brokerage services**:

1. We will help you open two brokerage accounts with our firm. You requested two different accounts – one for investments to help you reach your retirement goals and a second to pursue your interest in investing in the stock market. For your convenience, we have decided to refer to the first account as your Retirement Planning Brokerage Account and the second as your Self-directed Brokerage Account. Our firm will hold both of these accounts.
2. You will choose the investments in both of these brokerage accounts. We will help you buy and sell the investments through our firm. We *may* give you recommendations about investments in the Retirement Planning Brokerage Account, but we will *not* give you recommendations about investments in the Self-directed Brokerage Account.
3. We will not monitor or update the investments in the Retirement Planning Brokerage Account or the Self-directed Brokerage Account.

Here is our approach to providing you **risk management planning** (including insurance):

1. We will work with you to identify your risk management needs, including insurance solutions.
2. If insurance solutions are appropriate, then we will work with a third-party general insurance agent to select specific insurance products to meet your needs.

As we learn more about your needs, we may discover other services you may need. If you need services that we do not provide, such as accounting and legal services, then we also may be able to recommend professionals to provide those services.

HOW YOU WILL PAY FOR PRODUCTS AND SERVICES

My firm's Form CRS, Form ADV, Regulation Best Interest disclosure document, Brokerage Agreement, and Investment Advisory Agreement include more information about how you will pay for products and services. We gave you these documents. You also can access them online. We will help you understand the fees you will pay and the cost of any services and products we recommend. Let us know if you have any questions.

- **To work with you to develop the financial planning recommendations and share them with you**, you have agreed to pay a one-time financial planning fee of \$5,000. You will pay the other fees described below to implement, monitor, and update the financial planning recommendations.
- **For the Investment Advisory Account**, you will pay an advisory fee each quarter. The advisory fee covers our costs to manage your assets in the Investment Advisory Account and monitor and update our investment advisory recommendations. My firm will deduct the fee from the Investment Advisory Account based on the average of the values of your account on the last business day of each of the last three months. The amount of the fee is 1% of the average Investment Advisory Account value. If your Investment Advisory Account value increases to more than \$1 million, then the fee on the amount above \$1 million will be 0.75%. There are additional details in the Investment Advisory Agreement. You should review that agreement carefully and let us know if you have any questions.
- **In the two brokerage accounts**, you will pay commissions when you buy and sell investments through our firm. As a reminder, we will not monitor or update your brokerage accounts. There are more details in the Brokerage Account Agreement. You should review that agreement carefully and let us know if you have any questions.
- **For risk management planning**, what you will pay will depend on the solution that you implement. If you implement an insurance solution, then you will pay a commission that we will share with the third-party general insurance agent.
- **If you invest in mutual funds or exchange traded funds (ETFs)**, then you will pay fees and expenses to third parties. In addition to the initial commissions and other sales charge, these products have operating expenses and ongoing fees that are not included in the fees you pay us. Mutual fund and ETF fees and expenses can include investment management fees and shareholder service fees.
- **Our firm will hold (maintain custody of) your assets in the Investment Advisory Account and both brokerage accounts.** You will pay fees and expenses to our firm to maintain custody of your assets.

You will pay commissions, fees, and expenses whether you make or lose money on your investments. Commissions, fees, and expenses will reduce the amount you earn on your investments.

HOW WE (THE FIRM AND I) WILL BE PAID

We are paid in several ways.

- To develop financial planning recommendations, you pay my firm a financial planning fee. I am paid part of the financial planning fee that clients pay my firm.
- To manage the assets in your Investment Advisory Account and to monitor and update our investment advisory recommendations, you pay my firm an advisory fee each quarter. I am paid part of the advisory fees that clients pay my firm.
- To buy and sell investments in your brokerage accounts, you pay commissions, sales charges, and markups. I am paid part of these commissions and fees.
- When you buy insurance products, you pay commissions. I am paid part of the commissions that my firm receives.

We are paid more when we buy or sell some products than others.

My firm's Form CRS, Regulation Best Interest disclosure document, Form ADV, Brokerage Agreement, and Investment Advisory Agreement explain the ways we are paid for our work with you.

There are other ways we are paid by firms that are not related to my firm. For these types of payments, the other firms pay us. There is no extra charge to you.

- **We are paid by mutual fund, ETF, and fixed and variable annuity providers to make their products available for you to buy or sell, and to provide services related to those products.** The amount we are paid to make the products available (known as revenue sharing) is based on how much of those products our clients buy or sell. Mutual funds and variable annuities also pay us to provide related services, including for distribution, marketing, networking, and shareholder accounting.
- **We may be paid when you hire a firm we recommend to you.** For example, my firm sometimes refers clients to an accounting firm that pays us a "referral fee" if our clients hire them. When that happens, we will tell you when we recommend them.
- **We get incentives to sell products for unrelated firms.** These include travel and admission to industry conferences or educational events, promotional items, meals, access to entertainment and other events, and payments for client meetings.

MY MATERIAL CONFLICTS OF INTEREST

We have a conflict of interest whenever we have interests that are different from yours. Conflicts can affect the recommendations we give you. When we have a conflict, we will tell you. You can find more information about conflicts of interest in my firm's Form CRS, Form ADV, Regulation Best Interest disclosure, Brokerage Agreement, and Investment Advisory Agreement. We have policies and procedures designed to help manage conflicts. We will always work in your best interests.

- **The ways you pay us create conflicts of interest.** The amount we earn from working with you depends, in part, on the amount of assets we manage for you. We have a financial incentive to recommend that you make financial decisions that would result in more assets under our management.
- **We have a conflict because the amount we earn from working with you depends, in part, on the fees, commissions, sales charges, and markups we receive when you buy and sell investments and insurance through my firm.** We earn more on some products than others. We have a financial incentive to recommend that you buy the products that pay us more. We also have a financial incentive to recommend that you buy and sell more products.
- **We also have a conflict when we receive other payments and incentives from firms that are not related to us.** They were described in the **How We (the Firm and I) Will Be Paid** section. These include payments to make mutual funds, ETFs, and annuities available to you, product-related service fees, referral fees, and incentives. We have a financial incentive to recommend the services and products that pay us more money.
- **If we provide other services to you in the future, there may be different conflicts.** When we have a conflict of interest, we will tell you about it.

If you are concerned about a conflict of interest and how it might affect your accounts, please talk to me about it.

YOUR RESPONSIBILITIES

It is **your** responsibility to monitor and update the investments in your brokerage accounts. It also is your responsibility to update the information you have given me about your personal and financial circumstances. You will be sent account reports at least quarterly. You also can access the reports online. You should review these documents carefully. Let me know if you want to talk about the information in these documents.

TIMING OF THE ENGAGEMENT

Our engagement will continue until one of us decides to change or end it. If you decide to change or end the engagement, you just need to tell us. We can do the same, but we will tell you in writing.

YOUR PERSONAL INFORMATION

My firm has adopted and implemented policies about protecting and sharing your non-public personal information. We have given you our privacy policy.

PUBLIC DISCIPLINARY AND BANKRUPTCY HISTORY

I do not have public disciplinary or bankruptcy history.

THANK YOU FOR WORKING WITH US

Thank you for choosing us to work with you. We look forward to getting to know you better. You may reach me at BiancaThompson@financialfirm.com or 202-379-2200.

Sincerely,

Bianca Thomspson, CFP®