

## **Firm Brochure**

(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of The Asset Advisory Group, Inc. (TAAG) If you have any questions about the contents of this brochure, please contact us at: (513) 771-7222, or by email at: [info@taaginc.com](mailto:info@taaginc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about TAAG is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for TAAG is 107929.

January 1, 2018

# Material Changes

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## Introduction

The U.S. Securities and Exchange Commission (SEC) issued a final rule in July 28, 2010 requiring advisors to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization that are followed in this document.

In the past, TAAG provided this brochure to clients on at least an annual basis. Based on the new SEC Rules, TAAG will provide its clients with a summary of any material changes to this Brochure within 120 days of the close of TAAG’s fiscal year. TAAG may provide other ongoing disclosure information about material changes as necessary.

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## Material Changes since the Last Update

None

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# Advisory Business

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## Company Overview

The Asset Advisory Group, Inc. (TAAG) is an independent wealth advisory company that was founded in 1988 by Jeannette Jones, and incorporated January 1996. Jeannette Jones and Chip Workman are the owners of the company.

Our mission is to provide financial guidance to enhance the well being of individuals and families, and we do this by placing the interests of our clients first at all times. TAAG provides personalized investment management and financial planning services to individuals, their trusts and estates. These services include:

1. Clarifying financial objectives and identifying financial concerns.
2. Planning for retirement and other goals.
3. Designing an investment plan to reach client goals.
4. Managing investments.
5. Tax planning and coordination with client's CPA.
6. Estate planning and coordination with client's attorney.
7. Providing assistance with other financial decisions that arise throughout a client's lifetime.

TAAG is a fee-only financial planning and investment advisory firm, therefore we do not sell commissioned products. We are not affiliated with entities that sell financial products or securities, and do not receive commissions, referral or finder's fees in any form. Our only compensation comes from the fees our clients pay us.

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## **Types of Advisory Services Offered**

TAAG provides three levels of advisory services to meet the needs of our clients throughout their lives:

### **Wealth Foundations**

Our Wealth Foundations service is designed for younger individuals and families who want to build a strong foundation for their financial futures. TAAG provides investment management and fundamental financial guidance to answer questions that arise in their lives, such as:

1. How should I allocate my 401(K) plan?
2. How much life insurance do I need?
3. What wills, trusts and other estate planning documents do I need to have in place?
4. How much should I be saving for my kids' educations?
5. How will changing jobs impact my financial future?

Once a year we meet to review their financial plan to ensure they remain on track to meet their goals. In between meetings, an advisor is available anytime for questions and adjustments to the plan.

### **Wealth Building**

Our Wealth Building service is designed for individuals and families who have their basic financial needs in place, but would like to make the most of the next stage of their lives. These clients receive investment management services, assistance with questions that arise, plus help with specific issues that may need to be addressed as they approach retirement, the sale of their company, or other financial changes. Questions we address may include:

1. How do I create an income plan for retirement?
2. What is my succession strategy for my company?
3. How do I develop a spending plan for my new life?
4. How do I minimize the impact of taxes on my investments?
5. What do I need to do to prepare for this change?

Twice a year we meet to review their plan to manage their financial transition.

## **Wealth Management**

Our Wealth Management service is tailored for people who are only a few years from retirement, receiving a legacy from a family member, or already financially independent. For people in this stage of life, TAAG provides integrated portfolio management, financial planning, tax and estate planning. Regularly scheduled meetings are held to review their financial situation and ensure their plans remain financially sound. Clients have continuous access to their advisor, who coordinates TAAG's work with their CPA and attorney and acts as a resource for questions that arise. We address all the issues covered for our other clients as well as additional concerns, including:

1. How do I determine my optimum Social Security election?
2. How do I protect myself from the possibility of high health care expenses?
3. How do I leave a legacy for my community and my family?
4. How should my investments change to meet my needs as I get older?
5. How do I manage my lifestyle to remain independent?

Meetings are held quarterly to update the plan and ensure the client's financial situation is sound. In addition, joint planning meetings may be held with the client's CPA and attorney. After a year, the client will determine the meeting frequency.

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## **How We Tailor Our Client Relationships**

### **Financial Planning**

We use a comprehensive discovery process to obtain a holistic view and thorough understanding of our clients' goals and objectives. The goals and objectives for each client are documented in our client relationship management system, within the client's financial plan, and meeting notes. Once documented, these goals and objectives are used to tailor the planning work we do for each client, and are updated to reflect changes in their lives. Clients also dictate how frequently they wish to meet and their preferred methods of communication with us.

### **Investment Management**

Recommendations regarding investments are made to clients only after reviewing their current investments, their ability and desire to handle risk, personal goals and objectives, and other relevant information acquired through personal interviews and questionnaires.

Investment Policy Statements are created that reflect the stated goals and objectives of the client's portfolio. Clients may impose restrictions on investing in certain securities or types of securities and these are documented in the IPS as well. Investment portfolios are managed at the individual client account level, so trades are placed based on each client's specific tax situation, cash flow needs, and other considerations.

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## **Client Assets Managed**

As of December 31, 2017 TAAG managed \$310,588,405 in total client assets. Approximately \$298,019,495 is managed on a discretionary basis, where TAAG places trades under a limited power of attorney on behalf of its clients, and \$12,568,910 is managed on a non-discretionary basis.

# Fees and Compensation

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## How We Are Compensated

Fees from clients are TAAG's only compensation, which helps eliminate conflicts of interest.

Fees are charged at the end of each quarter, based on the service level selected and the total market value of the client's assets under management (if any) at the end of the reporting period (March 31, June 30, September 30 and December 31). Fees are pro-rated for the first partial quarter when a new account is opened.

Client portfolios are managed under the following fee structure for all clients:

<u>Market Value of Portfolio</u>	<u>Quarterly Rate</u>	<u>Annual Rate</u>
First \$1,000,000	0.2500 %	1.00 %
Next \$1,500,000	0.1875 %	.75 %
Next \$2,500,000	0.1250 %	.50 %
Over \$5,000,000	0.0625 %	.25 %

When the assets managed do not result in fees at or above the minimum threshold, clients are subject to a minimum quarterly fee according to the service level that applies to their situation:

### **Wealth Foundations**

Wealth Foundations clients are billed a minimum quarterly fee of \$625.

### **Wealth Building**

Wealth Building clients are billed a minimum quarterly fee of \$875.

### **Wealth Management**

Wealth Management clients are billed a minimum quarterly fee of \$2,500.

TAAG reserves the right to waive the minimum annual fee, aggregate family accounts to reach lower fee tiers, or reduce the overall fee under special client circumstances.

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## How We Collect Our Fees

Our fees are charged quarterly, in arrears, after services have been performed and the billing period has ended. Fees are deducted from designated client accounts. Clients must consent in advance for Fidelity or Schwab to deduct the fees from their account and the fees will be clearly noted on the client's statements. Neither Schwab nor Fidelity is responsible for the accuracy of the fee calculation.

In cases where we provide planning services but do not yet provide discretionary investment management services, we will bill the client in lieu of deducting their fee from an investment account.

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## Other Fees and Expenses

TAAG recommends a qualified third-party custodian to hold client accounts, to ensure an independent accounting and valuation of assets. Clients may select Fidelity or Schwab to hold their accounts for portfolios that TAAG manages. As custodians, Fidelity and Schwab charge transaction fees on purchases and sales of mutual funds and stocks, which generally range between \$7.95 and \$25 per trade, but may be higher. TAAG does not receive any portion of these transaction charges.

Mutual funds charge a management fee for their services as investment managers. This management fee is called an expense ratio, and is an additional cost to clients. TAAG exclusively recommends low-cost, no-load mutual funds, and their fees are not shared with TAAG.

TAAG works to minimize the transaction fees on client accounts through reasonable trading; and mutual management fees by selecting funds that maintain below average annual expense ratios compared to their peer group funds. The average-weighted expense ratio for a typical TAAG portfolio ranges between .20% and .35%.

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## Termination of Services

Clients or TAAG are permitted to terminate their agreement for services at any time with written notice. At termination, fees will be pro-rated through the date of cancellation and charged to the client's account before assets are transferred away from TAAG's management for the portion of the quarter completed. The portfolio value as of the date of notification of the termination will be used as the basis for the fee calculation. Planning clients will be pro-rated for the quarter completed as well.

## Performance-Based Fees

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### Sharing of Capital Gains

To avoid potential conflicts of interest, TAAG does not charge a performance-based fee, which is a fee based on the capital gains or capital appreciation of a client's funds.

TAAG does not use a performance-based fee structure because this form of compensation may create an incentive for TAAG to recommend investments that carry a high degree of risk to the client, in the hopes that accounts will experience significant gains, and therefore higher fees.

## Types of Clients

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### Description

TAAG focuses on serving individuals, families, their trusts and estates.

TAAG feels that it is important for an investment advisor and its clients to have a good working relationship. To meet this goal, we hold an initial meeting, free of charge, for any individual interested in using our services. In this meeting we discuss what they are looking for in an advisor, our investment philosophy, their financial concerns and goals, and other issues to determine whether we might be a good fit.

If the potential client wants to proceed, we then prepare an initial set of recommendations, and further explanation of our financial planning and investment processes, and present this in a second meeting – also free of charge. Once this meeting is held, and both the individual and TAAG are in agreement, they will become a client.

TAAG does not require potential clients to meet a minimum investment net worth requirement, however we do require a minimum annual fee for each of our service levels. Wealth Foundation clients with accounts below \$250,000; Wealth Building clients with accounts below \$350,000, and Wealth Management clients with accounts totaling less than \$1,000,000 will therefore pay a higher annual percentage rate than 1%, our highest stated rate.

TAAG reserves the right to waive the minimum annual fee, aggregate family accounts to reach lower fee tiers, or reduce the overall fee under special client circumstances.

# Methods of Analysis, Investment Strategies and Risk of Loss

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## Our Investment Philosophy

We believe that investment markets are efficient over the long term. The most important factors in determining your investment returns are how your assets are allocated, and how you respond to changes in the market.

Using information gathered from our clients via risk questionnaires, client-provided financial data, and discussions about goals and concerns; we develop an investment allocation that is a blend of what they can tolerate emotionally, and what they need to accomplish financially to meet their goals. We believe in setting realistic expectations and do not promise the unachievable.

We do not move in-and-out of the market based on predictions of the market's future direction, invest in "hot" sectors, or chase the next best mutual fund or stock because we do not believe these tactics work. Instead, after determining your appropriate asset allocation, we implement your investment plan using low cost, institutional mutual funds with the goal of capturing as much of the markets' returns as possible.

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## Our Investment Strategy

To implement our investment strategy, we use institutional mutual funds designed to capture the return behavior of entire asset classes. This differs from a traditional passive management approach in which indexes are merely replicated. Rather than simply tracking traditional market indexes, we use funds that are designed to capture specific dimensions of risk identified by financial science.

We rebalance our client accounts back to their original asset allocation when they stray more than 20% from their target for each asset class. This discipline enables us to buy low and sell high without the need to forecast the movement of the markets, and allows our clients to use market volatility to their long-term advantage.

The investment strategy for each client is based on their asset allocation documented in their individual Investment Policy Statement. Decisions to buy or sell investments are made at the individual client account level, in order to address cash flow and tax considerations.

When transitioning a client's investment portfolio out of a concentrated stock position, other strategies that may be used include covered option writing and limit orders.

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## **Risk of Loss**

As we work with clients to develop long-term investment plans, we educate them about the various risks that are involved in investing. All investment securities, including mutual funds, contain a risk of loss of income and principal. Clients should not assume that future performance of any specific investment or investment strategy, including those recommended by TAAG, will be profitable or achieve any specific performance level.

## Disciplinary Information

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### Legal and Disciplinary Events

TAAG and its employees have not been involved in any legal or disciplinary events related to past or present clients.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

TAAG is not registered as a broker-dealer and no advisors within the company are registered representatives of a broker-dealer. Our company does not sell any commissioned products or securities. Our only compensation comes from our clients' fees.

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### Affiliations

TAAG has no arrangements with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading advisor, futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

TAAG does not receive any compensation from other investment advisors or from the investment companies that we use to implement our client investment plans.

TAAG is a fee-only financial planning and investment management firm that places its clients' interests first. The firm does not sell annuities, insurance, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions, referral or finder's fees in any form are accepted. Our only compensation comes from our clients' fees

# Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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## Code of Ethics

As a fiduciary, TAAG has the duty to act solely in the best interests of each of our clients. This fiduciary duty is the core principal of our company's Code of Ethics, and is the basis of all of our dealing with our clients.

The Code is designed to ensure that the high ethical standards maintained by TAAG continue to be applied. The purpose of the Code is to preclude activities that might lead to, or give the appearance of conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct.

TAAG and its employees are subject to the following specific fiduciary obligations when dealing with our clients:

- The duty to have a reasonable, independent basis for the investment advice provided;
- The duty to obtain best execution for a client's transactions when we are in a position to direct brokerage transactions for our client;
- The duty to ensure that investment advice is appropriate for the client's objectives, needs and circumstances;
- The duty to be loyal to clients; and
- The duty to treat all clients equally.

A complete copy of the Code of Ethics is available on request.

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## Participation or Interest in Client Transactions

TAAG and its employees do not recommend investments in which any employee or related individual has a material financial interest.

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## Personal Trading

Our client investment strategy is implemented using primarily mutual funds, and TAAG and its employees may invest in the same mutual funds as its clients. However, these employee purchases or sales are not material to the outstanding shares of the funds, and are unlikely to affect the securities markets.

## Brokerage Practices

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### Selecting Brokerage Firms

TAAG generally recommends Fidelity Investments or Charles Schwab & Company to act as custodian of our client investment accounts. Factors we consider when recommending a custodian include their ability to hold the institutional investments we use to implement our investment strategy, their financial strength, reputation, execution, pricing and service. The Asset Advisory Group does not receive fees or commissions from either Fidelity or Charles Schwab & Company.

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### Soft Dollars

TAAG and its employees do not receive any financial compensation from brokerage referrals, nor does it receive any target or customized research, etc. TAAG will receive general research reports from both Fidelity and Schwab that all such investment advisors receive.

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### Brokerage for Client Referrals

The Asset Advisory Group does not participate in any broker-dealer referral program, and therefore their decision to use one firm over another is not influenced by this benefit.

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### Directed Brokerage

The Asset Advisory Group's policy is not to accept advisory clients' instructions for directing a client's transactions to a specific broker-dealer (other than the client's initial decision to custody their accounts with Fidelity or Schwab). We feel this policy achieves the most favorable execution of all client transactions and is less costly to clients overall.

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### Order Aggregation

Most of The Asset Advisory Group's trades are in mutual funds where trade aggregation does not garner any client benefit. For individual stocks, order aggregation is not used due to our policy of rebalancing our client accounts at the individual client level, where we can take into consideration taxes and other individual issues before making a decision to place a trade.

# Review of Accounts

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## Periodic Reviews

Account and financial plan reviews are performed by Advisors Chip Workman, Danielle Seurkamp, and Jeannette Jones. These reviews are performed prior to client meetings, in connection with the quarterly reporting process, and at least annually for all financial plans. In addition, investment account reviews are conducted weekly for all clients, and more frequently when market conditions dictate.

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## Review Triggers

Other conditions that may trigger a review of a client's financial plan or investment strategy are changes in a client's financial needs, changes in their personal circumstances, and income or estate tax changes.

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## Regular Reports

Clients receive monthly updates on various investment and financial planning issues that are sent out according to the client's preferred method of communication.

As mentioned previously, TAAG recommends independent, qualified custodians to hold client assets. Custodians directly provide clients with account statements at least quarterly.

In addition, TAAG provides quarterly investment performance reports with portfolio performance information, benchmark data for comparison, investment holding details, and a written cover summary of the quarter.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

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

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### **Referrals Out**

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

Referrals are made out to other professionals only when TAAG feels that they are the best qualified to help our clients.

# Custody

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## **Account Statements**

All client assets are held at qualified custodians: Fidelity Investments or Charles Schwab & Co. These custodians provide account statements directly to clients at their address of record at least quarterly. In addition, clients have access to their account activity, balances and other information via both company web sites at all times.

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## **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the quarterly performance reports provided by TAAG.

## Investment Discretion

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### Discretionary Authority for Trading

TAAG does not take custody of client accounts. In order to implement our investment services described under **Our Investment Strategy**, TAAG obtains discretionary investment authority to allow us to place trades in client accounts on their behalf, so that we may promptly implement the investment policy that they have approved in writing.

Once an Investment Policy Statement has been developed and signed by the client, TAAG has the authority to buy and sell holdings to bring the portfolio back into balance with its original targeted allocation.

For any account designated as Non-Managed, an Advisor will consult with the client to obtain agreement before executing any trades.

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### Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. When paperwork is prepared to open an account at the chosen custodian, clients sign a limited power of attorney so that we may execute trades needed to implement their Investment Policy Statement.

## Voting Client Securities

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### Proxy Votes

As discussed in **Our Investment Strategy**, TAAG primarily uses mutual funds to implement our investment strategy. Proxy voting policies are most relevant for advisors who use individual securities as their primary investment vehicle. TAAG does not vote proxies, however we will provide recommendations to clients when our assistance is requested. If a conflict of interest exists, it will be disclosed.

Clients will receive proxies and any other solicitations directly from their custodian.

## Financial Information

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### Financial Condition

TAAG has a strong financial condition that enables it to meet its contractual commitments to clients.

TAAG does not serve as a custodian for client funds or securities, and does not require prepayment of fees.