

# **Rapport Financial, LLC**

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## **FORM ADV PART 2A BROCHURE**

This Disclosure Brochure provides information about the qualifications and business practices of Rapport Financial, LLC. If you have any questions about the contents of this Disclosure Brochure, contact us at 310-383-6204. The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Rapport Financial, LLC (CRD/IARD # 286308) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Rapport Financial, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their Disclosure Brochure when information becomes materially inaccurate. If there are any material changes to an adviser's Disclosure Brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our firm's last ADV filing dated May 12, 2017 we have amended our financial planning fee schedule and ask that you refer to Item 5 of the brochure for more details.

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## Item 4 Advisory Business

### Description of Firm

Rapport Financial LLC, ("Rapport Financial") was founded in January 2017. Our firm is organized as a limited liability company under the laws of the State of California, and we are based in San Francisco, California. Aaron Hattenbach is the Managing Member and sole owner of our firm.

The following paragraphs describe our services and fees. Please refer to the description of the investment advisory services listed below for information on how we tailor our advisory services to your individual needs. As used in this Disclosure Brochure, the words "we," "our," and "us" refer to Rapport Financial and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

### Types of Advisory Services

Rapport Financial provides personalized holistic financial planning and portfolio management services to individuals, retirement plans, trusts, estates, charitable organizations, with a particular focus on doctors, technology industry professionals and business owners. Advice is provided through consultation with the client and may include: assessing existing financial assets, cash flow and liabilities, budgeting, determination of financial goals and objectives, investment management, equity compensation (stock options and restricted stock units), hedging strategies, tax planning, insurance review, education funding, retirement planning, estate planning, charitable giving, and working with client's other professional advisors.

Rapport Financial acts in a fiduciary capacity with its clients, which means that at all times we owe to our clients the highest legal duty of good faith and trust. As a fiduciary we are bound ethically to act in our client's best interests and our objective must be fully aligned with our clients' financial best interests. Any conflicts of interest will be disclosed to the client in the unlikely event they should occur.

We work with each client to inventory and evaluate their overall financial resources and help them to establish individual and family goals and objectives. Rapport Financial believes that its best client relationships are a result of our ability to build rapport by communicating effectively and navigating each client's family complexities and needs.

Rapport Financial does not act as a custodian of client assets. Client assets are always held at an independent third-party custodian, which in most cases is at TD Ameritrade.

Rapport Financial takes the time necessary to know each client and their family dynamic and endeavors in efforts to provide each client with the highest level of personal care. Importantly, within this context we monitor the changing needs of each client and strive to proactively address all relevant financial and investment matters. In an effort to build client relationships that are multi-generational, our clients' needs and interests are of paramount importance. The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and/or portfolio management services may be beneficial to the client.

Advisory services are provided under the terms of a written advisory agreement executed by Rapport Financial and the client.

### Portfolio Management Services

Rapport Financial offers portfolio management services for clients within the larger context of an overall disciplined financial planning and wealth management process. Portfolio management services consist of ongoing financial advice and discretionary portfolio management services where investment

advice is tailored to meet your individual circumstances and investment objectives. These services include an initial discovery consultation, ongoing review consultations and specialized follow-up consultations, as may be agreed, to discuss your unique financial situation and changing needs over time. We will ask that you complete certain investor questionnaires, on-boarding forms, and/or other documents to assist us in gathering information about your financial needs and circumstances. This would include your investment experience, investment objectives, time horizon, liquidity needs, risk tolerance, tax circumstances, and various other financial factors necessary for us to develop a complete investor profile.

Based on our evaluation of the foregoing factors, we will use the information we gather to develop a broad-based financial plan that creates the foundation for providing you with continuous and focused investment advice and/or to make investments on your behalf. Once we construct an investment portfolio for you, we will monitor your portfolio's performance on an ongoing basis and will rebalance the portfolio as appropriate. Clients are required to notify our firm immediately if their financial circumstances and/or investment objectives change from what has already been disclosed to our firm.

In order to provide discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization allows us to determine the specific type and quantity of securities to be purchased or sold for your account without your approval prior to each transaction. In limited circumstances, and only upon our approval, we may accept client imposed restrictions on investing in certain specific securities or types of securities.

Rapport Financial does not sponsor or manage wrap fee portfolio management programs.

### **Financial Planning and Consulting Services**

Rapport Financial offers holistic financial planning and consulting services that typically involve a variety of advisory services regarding the management of the client's financial resources based upon an analysis of their individual needs. If you retain our firm for financial planning and consulting services, we will meet with you to gather information about your financial circumstances and objectives. As required, we will conduct follow-up interviews for the purpose of reviewing and/or collecting additional financial data. Once such information has been reviewed and analyzed, we will provide you with our financial planning recommendations designed to help you achieve your stated financial goals and objectives.

Financial planning recommendations are based on your financial situation at the time we provide our recommendations, and on the financial information you provide to our firm. You have the right to accept or reject our financial planning recommendations, and you may choose any firm to assist you with implementing our recommendations.

As part of our services, clients may engage Rapport Financial to prepare a written financial plan, which may include: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing recommendations; strategic tax planning; a review of retirement accounts and recommendations for changes, if necessary; a review of insurance policies and recommendations for changes, if necessary; a review of equity compensation; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

### **Types of Investments**

We primarily offer advice on mutual funds, exchange traded funds (ETFs), and equity securities. Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship. You may request that we refrain from

investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of March 28, 2018 our firm manages \$4,900,000 in client assets.

## **Item 5 Fees and Compensation**

### **Portfolio Management Services**

Our fee for portfolio management services is based on a percentage of the assets in your account and is set forth in the following annual (non-blended) flat tiered fee schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
Below \$250,000	1.40%
\$250,000 - \$1 million	1.20%
\$1 million - \$5 million	1.00%
\$5 million - \$10 million	0.75%
Above \$10 million	0.50%

Our annual portfolio management fee is billed and payable quarterly, in advance, and is calculated based on the value of your account on the last business day of the previous calendar quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro-rata basis, which means that portfolio management fee is payable in proportion to the number of days in the quarter for which you are a client. Our fees are negotiable depending on individual client circumstances.

We will combine the account values of family members living in the same household to determine the applicable advisory fee (unless instructed otherwise by the client). For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our tiered fee schedule stated above.

Unless we agree to bill you directly, we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- We concurrently: (1) send the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account; and, (2) send you an invoice or statement showing the formula used to calculate the fee, the value of the assets under management on which the fee is based, and the time period covered by the fee.
- The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts dispersed from your account including the amount of the advisory fee paid directly to our firm.

If you find any inconsistent or inaccurate information within these statement(s), please call our main office number located on the cover page of this Disclosure Brochure.

Either party may terminate the agreement upon 7-days' written notice to the other party. Clients will incur a pro rata charge for services rendered prior to the termination of the agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Financial Planning and Consulting Services**

We offer several financial planning and consulting service packages on a fixed fee basis. Our fixed fee ranges from \$600 to \$5,000 for these services. Generally, our fixed fee is billed in advance for broad-based financial planning and investment consulting services.

Our financial planning fees are negotiable depending upon the complexity and scope of the plan, your financial situation, and your objectives. Our financial planning fees are generally due upon completion of services rendered. For our fixed fees, however, we require that you pay 50% of the fee in advance with the remaining portion due upon completion of services rendered. In our sole discretion, we may negotiate other fee-paying arrangements. All important terms will be evidenced in the agreement that you sign with our firm.

Where clients have engaged Rapport Financial for financial planning services and subsequently engage Rapport Financial to provide ongoing portfolio management services, the Financial Planning fee will be credited towards the client's portfolio management fees incurred during the first year of engagement.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this Disclosure Brochure.

### **State of California Required Disclosures**

To comply with CCR Section 260.238(j) we provide the following disclosure: *Lower fees for comparable services may be available from other sources.*

Pursuant to California Code of Regulations, 10 CCR Section 260.235.2, Rapport Financial hereby makes the following statement: a conflict exists between the interest of Rapport Financial and the interests of the client. Further, the client is under no obligation to act upon Rapport Financial's recommendations, and if the client elects to act on any of the recommendations, the client is under no obligation to effect the transactions through Rapport Financial.

All material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the

rendering of unbiased and objective advice.

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

Rapport Financial does not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

### Description

Rapport Financial generally provides investment and financial advice to individuals, retirement plans, trusts, estates, charitable organizations, with a particular focus on doctors, technology industry professionals and business owners. Client relationships vary in scope and length of service.

### Account Minimums

In general, we require a minimum of \$250,000 to open and maintain a managed account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. Other exceptions will apply to employees of Rapport Financial and their relatives, or relatives of existing clients.

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

### Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

Technical Analysis - involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

*Risk:* The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

*Risk:* The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in



favorable performance.

Modern Portfolio Theory - a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.

*Risk:* Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.

Long-Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

*Risk:* Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

Short-Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

*Risk:* Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Option Writing - a securities transaction that involves selling an option. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell a particular security at a specified price on or before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The option writer/seller receives a premium (the market price of the option at a particular time) in exchange for writing the option.

*Risk:* Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Moreover, custodians and broker-dealers must report the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

Rapport Financial primarily recommends mutual funds, exchange traded funds (ETFs), and equity securities as part of its portfolio management services. Additionally, Rapport Financial may advise you on any type of investment, including alternative investments, that we deem appropriate since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

Mutual Funds and Exchange Traded Funds: Mutual funds and exchange traded funds ("ETFs") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of the its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but

which are expected to yield similar performance.

**Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

## **Item 9 Disciplinary Information**

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. Rapport Financial does not have any required disclosures under this item.

## **Item 10 Other Financial Industry Activities and Affiliations**

Rapport Financial does not have any financial industry activities, affiliations or relationships that are material to our advisory business or to our advisory clients with any of the types of entities listed below:

1. broker-dealer, municipal securities dealer, or government securities dealer or broker.
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund).
3. other investment adviser or financial planner.
4. futures commission merchant, commodity pool operator, or commodity trading advisor.
5. banking or thrift institution.
6. accountant or accounting firm.
7. lawyer or law firm.
8. insurance company or agency.
9. pension consultant.
10. real estate broker or dealer.
11. sponsor or syndicator of limited partnerships.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the

telephone number on the cover page of this Disclosure Brochure.

### **Participation or Interest in Client Transactions**

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Disclosure Brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we may have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. In efforts to mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities. As a fiduciary, it is our firm's obligation to act in our client's best interest.

## **Item 12 Brokerage Practices**

### **Brokerage Recommendations**

For clients engaging our firm for portfolio management services, clients must open one or more custodian accounts in their own name at an independent custodian with whom we maintain a relationship with. For clients in need of brokerage and custodial services, we typically recommend the use of TD Ameritrade. We believe that TD Ameritrade provides quality execution services for our clients at competitive prices. We may also recommend Charles Schwab, Fidelity and/or Vanguard, among others. We consider several factors in recommending a broker-dealer/custodian to a client, which generally include: ease of use, reputation, service execution, pricing and financial strength. We may also take into consideration the availability of the research and/or services received or offered by the broker-dealer/custodian.

Our firm participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program. As disclosed above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The

benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

#### **Research and Other Soft Dollar or Economic Benefits**

We do not have any soft dollar arrangements. However, as a registered investment adviser we have access to the institutional platform of your account custodian (TD Ameritrade). As such, we will also have access to research products and services from your account custodian. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

#### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or brokerage services or research.

## **Directed Brokerage**

We routinely require that you direct our firm to execute transactions through TD Ameritrade. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

## **Block Trades**

We may combine multiple orders for shares of the same securities purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Generally, participating accounts will pay a fixed transaction cost regardless of the number of shares transacted. In certain cases, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm will not participate in block trading with your accounts.

## **Item 13 Review of Accounts**

### Portfolio Management

Aaron Hattenbach, Managing Member, will monitor your accounts on an ongoing basis and will conduct account reviews at least quarterly, to ensure the advisory services provided to you are consistent with your investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to: contributions and withdrawals; year-end tax planning; market moving events; security specific events; and/or, changes in your risk/return objectives. Clients will receive trade confirmations and monthly or quarterly statements from their account custodian(s). We generally do not deliver written reports in conjunction with our account reviews.

### Financial Planning

Aaron Hattenbach will review financial plans as needed, depending on the arrangements made with you at the inception of your advisory relationship to ensure that the advice provided is consistent with your investment needs and objectives. Generally, we will contact you periodically to determine whether any updates may be needed based on changes in your circumstances. Changed circumstances may include, but are not limited to, marriage, divorce, birth, death, inheritance, lawsuit, retirement, job loss and/or disability, among others. We recommend meeting with you at least annually to review and update your plan if needed. Additional reviews will be conducted upon your request and may be subject to our then current hourly rate. If you implement financial planning advice, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.

## **Item 14 Client Referrals and Other Compensation**

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts may be deemed as "limited" custody over your funds or securities depending on the jurisdiction. We will never take physical custody of any of your funds and/or securities. We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- We concurrently: (1) send the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account; and, (2) send you an invoice or statement showing the formula used to calculate the fee, the value of the assets under management on which the fee is based, and the time period covered by the fee.
- The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts dispersed from your account including the amount of the advisory fee paid directly to our firm.

You should compare our invoices with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us immediately at the telephone number on the cover page of this Disclosure Brochure.

## **Item 16 Investment Discretion**

If you engage us to perform discretionary portfolio management services, you must first sign our discretionary management agreement before we can buy or sell securities on your behalf. Discretionary authorization enables our firm to exercise discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify, in writing, investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies.

## **Item 18 Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not: (1) take physical custody of client funds or securities; (2) serve as trustee or signatory for client accounts; and, (3) require the prepayment of more than \$500 in fees six or more months in advance. Therefore, we are not required to include a financial statement

with this Disclosure Brochure. Our firm has never filed a bankruptcy petition.

## Item 19 Requirements for State-Registered Advisers

Please refer to the Part(s) 2B for background information about our principal executive officers, management personnel and those giving advice on behalf of our firm.

Our firm is not actively engaged in any business other than giving investment advice that is not already disclosed above.

Neither our firm, nor any persons associated with our firm are compensated for advisory services with performance-based fees.

Neither our firm, nor any of our management persons have a material relationship or arrangement with any issuer of securities.

Neither our firm, nor any of our management persons have been involved in:

1. An award or otherwise being *found* liable in an arbitration claim alleging damages in excess of \$2,500, *involving* any of the following:

- (a) an investment or an *investment-related* business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

2. An award or otherwise being *found* liable in a civil, *self-regulatory organization*, or administrative *proceeding involving* any of the following:

- (a) an investment or an *investment-related* business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

### State of California Required Disclosures

All material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

## Item 20 Additional Information

### Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.



We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Contact our main office at the telephone number on the cover page of this Disclosure Brochure if you have any questions regarding this policy.

If you decide to close your account(s) we will adhere to our privacy policies, which may be amended from time to time.

If we make any substantive changes in our privacy policy that would further permit or require disclosures of your private information, we will provide written notice to you. Where the change is based on permitted disclosures, you will be given an opportunity to direct us as to whether such disclosure is acceptable. Where the change is based on required disclosures, you will only receive written notice of the change. You may not opt out of the required disclosures.

If you have questions about our privacy policies contact our main office at the telephone number on the cover page of this Disclosure Brochure and ask to speak to the Chief Compliance Officer.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### *General - Advisory Services to Retirement Plans and Plan Participants*

We offer various levels of advisory and consulting services to employee benefit plans ("Plan") and to the participants of such plans ("Participants"). Pursuant to adopted regulations of the U.S. Department of Labor, we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan and the compensation we will receive are described in the service agreement that you have signed with our firm. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan or Participants, unless the plan sponsor directs us to deduct our fee from the plan or directs the plan record-keeper to issue payment for our fee out of the plan. If we receive any other compensation for such services, we will (i) offset the compensation against our stated fees, and (ii) we will promptly disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

We are registered as an investment adviser with the State of California and will register in other jurisdictions where required. We represent that our firm is not subject to any disqualification as set forth in Section 411 of ERISA. To the extent our firm provides Fiduciary Services, we are acting as a fiduciary of the Plan as defined either in Section 3(21) or Section 3(38) under the Employee Retirement Income Security Act ("ERISA"). The advisory agreement that you sign with our firm will indicate our fiduciary status.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

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

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

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

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  1. Employer retirement plans generally have a more limited investment menu than IRAs.
  2. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  1. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  2. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  1. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA

assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.

7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this Disclosure Brochure.

# **Aaron L. Hattenbach**

## **Rapport Financial**

**1046 Montgomery Street  
San Francisco, CA 94133**

**Telephone: 310-383-6204**

**March 28, 2018**

### **FORM ADV PART 2B BROCHURE SUPPLEMENT**

This brochure supplement provides information about Aaron L Hattenbach that supplements the Rapport Financial brochure. You should have received a copy of that brochure. Contact us at 310-383-6204 if you did not receive Rapport Financial 's brochure or if you have any questions about the contents of this supplement.

Additional information about Aaron L Hattenbach (CRD # 5809884) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Educational Background and Business Experience

### **Aaron L Hattenbach, AIF®**

*Year of Birth:* 1987

*Formal Education After High School:*

College for Financial Planning, CFP Certified Financial Planner, 1/2016 - Present  
Brandeis University, BA Political Science and Business, 2009

*Business Background:*

- Rapport Financial, Managing Member/Chief Investment Officer, 12/2016 - Present
- Bank of America, N.A., Financial Advisor, 9/2015 - 12/2016
- Merrill Lynch, Pierce, Fenner & Smith Incorporated, Financial Advisor/Registered Representative, 6/2015 - 12/2016
- Lending Club/Fintech Startups, Consultant, 4/2014 - 6/2015
- HighTower Advisors, LLC, Investment Analyst, 2/2012 - 4/2014
- HighTower Securities, LLC, Registered Representative, 6/2013 - 4/2014
- Concentric Capital (Acquired by Telemus Capital), Analyst, 10/2010 - 2/2012
- AllianceBernstein - Bernstein Private Wealth Management, Private Client Summer Associate, 5/2010 - 9/2010

### Accredited Investment Fiduciary® (AIF®)

The AIF designation certifies that the recipient has specialized knowledge of fiduciary standards of care and their application to the investment management process. To receive the AIF designation, individuals must complete a training program, successfully pass a comprehensive, closed-book final examination under the supervision of a proctor and agree to abide by the AIF Code of Ethics. In order to maintain the AIF designation, the individual must annually renew their affirmation of the AIF Code of Ethics and complete six hours of continuing education credits. The certification is administered by the Center for Fiduciary Studies, LLC (a Fiduciary360 (fi360) company).

## Item 3 Disciplinary Information

Form ADV Part 2B requires disclosure of certain criminal or civil actions, administrative proceedings, and self-regulatory organization proceedings, as well as certain other proceedings related to suspension or revocation of a professional attainment, designation, or license. Mr. Aaron L Hattenbach has no required disclosures under this item.

## Item 4 Other Business Activities

Aaron L. Hattenbach is not actively engaged in any other business or occupation (investment-related or otherwise) beyond his capacity as Managing Member and Investment Adviser Representative of Rapport Financial, LLC. Moreover, Mr. Hattenbach does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products.

## Item 5 Additional Compensation

Aaron L. Hattenbach does not receive any additional compensation for providing advisory services beyond the fee-based compensation he receives through Rapport Financial, LLC.

## Item 6 Supervision

As the Managing Member/Chief Investment Officer of Rapport Financial, Aaron L Hattenbach

supervises the advisory activities of our firm. Aaron L Hattenbach can be reached at 310-383-6204.

## **Item 7 Requirements for State Registered Advisers**

Aaron L Hattenbach does not have any reportable arbitration claims, has not been found liable in a reportable civil, self-regulatory organization or administrative proceeding, and has not been the subject of a bankruptcy petition.