

## Client Relationship Summary (Form CRS)

June 30, 2020

### Introduction

Harbor Investment Advisory, LLC is registered with the Securities and Exchange Commission (SEC) as both a broker-dealer and an investment adviser, and is a member firm of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

There are different ways you can get assistance with your investments. You should carefully consider which types of accounts and services are right for you. We are a broker-dealer and investment adviser and provide both brokerage accounts and services and investment advisory services. This document gives you a summary of the types of services we provide and how you pay for those services. Please ask us for more information.

Brokerage and investment advisory services and fees differ, and it is important for the retail investor to understand the differences. Free and simple tools are available for you to research firms and financial professionals at [www.investor.gov/CRS](http://www.investor.gov/CRS), a website maintained by the SEC. These tools can also provide you with educational materials about broker-dealers, investment advisers, and investing.

### What investment services and advice can you provide me?

#### Brokerage Services

We offer brokerage services to retail investors, including buying and selling securities on a non-discretionary basis. Our services include discussing your investment goals, assistance with developing or executing an investment strategy, providing recommendations related to investments in your account, on-going communications and facilitating the execution and settlement of your securities transactions.

Brokerage services are appropriate when you desire only periodic or on-demand recommendations that are in your best interest to assist you with your investment goals. For purposes of Regulation Best Interest, we do not monitor your brokerage account, nor have an obligation to update recommendations made previously and do not make implied hold recommendations. For brokerage accounts, you make the ultimate decision regarding the investment strategy and the purchase or sale of investments given your investment objectives, risk tolerance, financial circumstances and investment needs.

#### Investment Advisory Services

We offer investment advisory services and advice on a regular basis to retail investors. Our services include discussing your investment goals, designing an asset allocation strategy based on your investment goals, making investment recommendations consistent with your investment strategy, and the on-going monitoring of your account. Other advisory services we provide include financial planning services, investment consulting, the selection of third-party managers, and wrap fee programs.

Additionally, as an investment adviser we provide discretionary and non-discretionary advisory services. Our discretionary authority is generally granted, at the outset of our advisory relationship in our client agreement, to select the identity and amount of securities to be bought or sold during your advisory relationship with us. We exercise such discretion in a manner consistent with the stated investment objectives, limitations and restrictions imposed upon us by you. With respect to our non-discretionary services, you should be aware that you make the ultimate decision regarding your investment holdings, including the purchase and or sale of those investments.

## Brokerage and Advisory Services

Our investment advice generally covers equities, debt, options, futures, mutual funds and alternative investments. Other firms could provide advice on a wider range of choices, some of which might have lower cost. We generally require that clients have a minimum of \$50,000 in investment assets to open and maintain an account with us, however, we may waive the minimum in our sole discretion.

## Additional Information

For additional information regarding our brokerage services, please see our Regulation Best Interest Disclosure, your account agreement, or other applicable documents. With regards to our advisory services, please see our Form ADV, Part 2A brochure, Items 4 and 7, or Items 4 and 5 of Part 2A Appendix 1 on our website: [www.harborinvestmentadvisory.com](http://www.harborinvestmentadvisory.com). Additionally, you can contact us about our services at 410-659-8906 and we will be happy to discuss with you.

## Conversation Starters

### Ask your financial professional:

- *Given my financial situation, should I choose a brokerage service? Why or why not?*
- *How will you choose investments to recommend to me?*
- *What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?*

## What fees will I pay?

### Primary Brokerage Fees and Costs

If you open a brokerage account, you will pay us a transaction-based fee, generally referred to as a commission, every time you buy or sell an investment. While our brokerage fees vary and are negotiable, the amount you pay will depend, for example, on how much you buy or sell, what type of investment you buy or sell, and what kind of account you have with us. With stocks or exchange-traded funds, this fee is usually a separate commission. With other investments, such as bonds, this fee might be part of the price you pay for the investment (called a “mark-up” or “mark-down”). With mutual funds, this fee (typically called a “load”) reduces the value of your investment. Ultimately, the more transactions in your account, the more fees we charge you. We therefore have an incentive to encourage you to engage in transactions.

### Primary Investment Adviser Fees and Costs

Retail investors will incur certain fees for investment advisory services (described below), which are determined between you the client, and your financial advisor. The principal fees for investment advisory services are as follows:

- Asset-based fees, which are an on-going fee, and based upon a percentage of the assets managed by us.
- Hourly or fixed dollar charges for financial planning and general investment consulting services.
- Wrap Fees for our wrap program, which are also on-going, and asset based. Wrap fees include most transaction costs and fees to a broker-dealer or bank that has custody of your portfolio assets, but you may be charged other account costs, such as wire transfer, electronic fund fees, and other fees and taxes on custodial accounts and securities transactions. Since the transaction costs are included in the advisory fee for wrap programs, the advisory fees are generally higher than a typical non-wrap asset-based advisory fee.

Our advisory fees vary and are negotiable. The amount you pay will depend, for example, on the services you receive and the amount of assets in your account. Additionally, the amount paid to us and your

financial professional generally is not based on the type of investments we select on your behalf. The asset-based fee reduces the value of your account and will be deducted from your account. The more assets you have in the advisory account, including cash, the more you will pay us. We therefore have an incentive to increase the assets in your account in order to increase our fees. You pay our fee quarterly or monthly even if you do not buy or sell securities in your advisory account.

## **Other Fees and Costs**

We also charge you additional fees, such as custodial fees, account maintenance charges, deferred sales charges, wire transfer and electronic fund fees, platform fees, and other fees and taxes on custodial accounts and securities transactions. Some investments (such as mutual funds, third-party managers, and variable annuities) impose additional fees that will reduce the value of your investment over time. Also, with certain investments such as variable annuities, you may have to pay fees such as “surrender charges” to sell the investment.

## **Additional Information**

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

For additional information, please see our Regulation Best Interest Disclosure (regarding our brokerage services), our Form ADV Part 2A Firm Brochure Item 5, our Form ADV Part 2A Appendix 1 Wrap Fee Brochure Item 4 (regarding our advisory services), your account or advisory agreement, and other applicable documents.

## **Conversation Starter**

### **Ask your financial professional:**

- *Help me understand how these fees and costs affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?*

**What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment adviser? How else does the firm make money and what conflicts of interest do you have?**

**When we provide you with a recommendation as your broker-dealer or act as your investment adviser**, we must act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide you. Here are some examples to help you understand what this means:

- With respect to our brokerage services, we receive payments from third party product sponsors, managers, or their affiliates, (such as mutual funds) when we recommend or sell certain products. As such, we have an incentive to recommend (or to invest your assets in) products of third parties that pay us over products of third parties that do not pay us, or pay us less.
- With respect to our advisory client, your custodian provides services to us, including research, execution, brokerage, custody and access to mutual funds and other investments. Additionally, other services provided assist us in managing and administering clients’ accounts. These services are provided based in part on the assets held at the respective custodians, and as such, creates an incentive for us to direct clients to their custodial platforms. For additional information, please see our Form ADV Part 2A, Item 15.

## **Additional Information**

For additional information, please see our Regulation Best Interest Disclosures, Form ADV Part 2A Firm Brochure, Form ADV Part 2A Appendix 1 Wrap Fee Brochure, and other applicable documents.

### **Conversation Starter**

#### **Ask your financial professional:**

- *How might your conflicts of interest affect me, and how will you address them?*

## **How do your financial professionals make money?**

Your financial professional earns compensation based upon a portion of the sales commissions resulting from the buying and selling securities for your brokerage account and/or the revenue we earn for providing you with advisory services or recommendations. As a result, your financial professional may have a financial incentive to buy and sell securities in a brokerage account and/or to not reduce fees in an advisory account. Additionally, your financial professionals are compensated based on factors such as the amount of client assets they service, and the time and complexity required to meet a client's needs.

## **Do you or your financial professionals have legal or disciplinary history?**

**No**, Harbor has no legal or disciplinary history. **Yes**, a financial professional has a legal or disciplinary history. Please see [www.investor.gov/crs](http://www.investor.gov/crs) or <https://brokercheck.finra.org> for a free and simple tool to research the background and experience of us and our financial professionals.

### **Conversation Starter**

#### **Ask your financial professional:**

- *As a financial professional, do you have any disciplinary history? For what type of conduct?*

## **Where can I find additional information?**

For additional information regarding our services, please see our Regulation Best Interest Disclosures, Form ADV Part 2A or Part 2A Appendix, and other applicable documents, or if you would like additional, up-to-date information or a copy of this disclosure, please contact William Schady by phone at 410-659-8906, or by email at [wschady@harborllc.com](mailto:wschady@harborllc.com).

### **Conversation Starter**

#### **Ask your financial professional:**

- *Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Whom can I talk to if I have concerns about how this person is treating me?*