



Honu Wealth Management (Williams, Garth Alan dba)

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This Brochure provides information about the qualifications and business practices of Honu Wealth Management (“Honu”). If you have any questions about the contents of this Brochure, please contact us at 650.917.3400 or [info@HonuWealth.com](mailto:info@HonuWealth.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.

Honu is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Honu also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Item discusses only material changes that are made to our Brochure since our last annual update. Our last annual update was published on January 31, 2017. We have updated our assets under management in Item 4.E. There have been no other material changes.

A copy of our brochure may be requested by contacting Garth A. Williams, Chief Compliance Officer at 650.917.3400 or [Service@HonuWealth.com](mailto:Service@HonuWealth.com). Our Brochure is also available on our web site [www.HonuWealth.com](http://www.HonuWealth.com) free of charge.

Additional information about Honu is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Honu who are registered, or are required to be registered, as investment adviser representatives of Honu.

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	3
Item 6 – Performance-Based Fees and Side-By-Side Management .....	4
Item 7 – Types of Clients.....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	4
Item 9 – Disciplinary Information .....	6
Item 10 – Other Financial Industry Activities and Affiliations .....	6
Item 11 – Code of Ethics .....	7
Item 12 – Brokerage Practices .....	8
Item 13 – Review of Accounts.....	8
Item 14 – Client Referrals and Other Compensation.....	9
Item 15 – Custody .....	9
Item 16 – Investment Discretion .....	9
Item 17 – Voting Client Securities.....	9
Item 18 – Financial Information.....	9
Item 19 – Requirements for State-Registered Advisers.....	10
Brochure Supplement(s)	

#### **Item 4 – Advisory Business**

- A. ***Our firm.*** Honu Wealth Management (“Honu”) formed in 2006 to provide an alternative to the conflicted investment advice given by captive representatives of brokerage firms, banks and insurance companies. Honu is a sole proprietorship owned by Garth A. Williams. Prior to forming Honu, Garth spent twelve years in the financial services industry dually registered as an investment advisor and broker-dealer representative. Honu is not affiliated with any other financial services company and has no subsidiaries.
- B. ***Our Services.*** Honu offers four primary services: *financial planning, investment supervisory, wealth management and pension consulting.*

#### ***Financial Planning***

The first step in the financial planning process is a meeting with you, the client, to determine the scope of the engagement. At this meeting we will discuss what’s important to you and, if necessary, help refine your financial goals. We will explain our services and determine if there is a fit between your needs and our services. If we both agree, we will then enter into a Financial Planning Agreement, including the terms of the engagement and the fees to be charged. Through subsequent communications and meetings, Honu will learn in more detail about your financial situation and goals and typically review a draft financial plan with you. A written financial plan will usually be presented to you at the third meeting detailing the findings of the analysis and giving you a specific action plan to help achieve your goals.

We will help you coordinate the implementation of any recommendations made, including referral to other practicing professionals whose services may be required (Attorneys, Accountants, etc.).

Honu’s Investment Advisor Representatives (IARs) are individually licensed as insurance agents. IARs may recommend the purchase of fixed insurance products that will earn them a commission. In this situation, a conflict exists between the interests of the IAR and the interest of the client. The client is under no obligation to act upon IAR’s recommendation and if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the IAR.

***Investment Supervisory Services***

Investment supervisory services are primarily offered on a discretionary basis, though they may be offered on a non-discretionary basis, as determined by you. Investment advice and monitoring of securities are provided on an ongoing basis.

***Wealth Management Services***

Wealth Management Services combine financial planning and investment supervisory services (described above) for a fixed annual fee to further eliminate the potential conflicts of interest between you and Honu when providing investment supervisory services and financial planning. (i.e. If you are paying Honu for investment supervisory services and request advice about paying off your mortgage, Honu has an incentive to keep your financial assets where it gets paid instead of paying down the mortgage where it will not be paid for those assets anymore.) Financial Planning is offered on an as requested basis for Wealth Management clients without additional costs. Investment supervisory services are offered on those accounts where the client has authorized Honu to do so without regard to account size.

***Pension Consulting Services***

Pension consulting services assist business owners and managers in the selection and monitoring of retirement plans for their employees. This may include developing investment policy, allocation of plan assets, selection of money managers and mutual funds, tracking investment performance, providing employee education and selecting other service providers.

- C. ***Customization.*** All portfolios are tailored to the individual needs and circumstances of our clients. We take into account the information provided to us about existing accounts, tax situation and asset location. Each client's portfolio is then tailored to provide an overall asset allocation close to the target allocation for the goal(s) given and the constraints on certain assets (like a limited menu of options inside an employer-sponsored retirement plan). Reasonable restrictions on the type and/or individual securities are accepted by Honu.
- D. ***Wrap fee programs.*** Honu Wealth does not sponsor or participate in wrap fee programs.

- E. **Assets under management.** As of December 31, 2017 Honu Wealth Management managed \$57,800,000 on a discretionary basis and \$1,700,000 on a non-discretionary basis calculated using the method of Item 5F of Form ADV, Part 1A.

## Item 5 – Fees and Compensation

- A. **Compensation.** Honu prepares financial plans for a one-time fixed fee, provides investment supervisory services based on a percentage of assets under management and wealth management services for a fixed annual fee. Honu also provides pension consulting services on a fixed, percentage or hourly basis depending on the agreement with the client. Financial planning fees generally are between \$2,000 and \$10,000. Investment supervisory services are offered at a 1% annual fee on the first \$1,000,000 of assets under management and negotiable thereafter. There is a \$2,000 minimum annual fee regardless of account size. Hourly rates range from \$200-\$400. Fees are negotiable.
- B. **Billing.** For financial planning, a down payment of ½ the fee is generally due upon signing the agreement with the remainder due upon delivery of the written plan. Investment advisory, wealth management and pension consulting fees are paid quarterly in advance and are typically deducted from clients' assets. Clients may choose to be billed instead of having the fees deducted from their account.
- C. **Fees you pay to others.** Clients may incur transaction charges and other fees imposed by custodians in connection with services for their accounts. Mutual funds and exchange traded funds also charge internal management fees which are disclosed in a fund's prospectus. Such charges and fees are exclusive of and in addition to Honu's fees. Item 12 further describes the factors that Honu considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).
- D. **Pre-payment of fees and refund policy.** Typically ½ of financial planning fees are paid in advance. The fee is fully refundable within five (5) working days. After five (5) days, an hourly charge of \$300 will be deducted from any refund for work already performed. Once the financial plan is completed and delivered, no refund will be made. Investment supervisory, wealth management and pension consulting fees are generally paid quarterly in advance. These agreements may be terminated at any time by providing

written notice to Honu. Investment supervisory clients will receive a refund of the prorated portion of the fee for the quarter in which the agreement is terminated. If the client chooses to terminate a wealth management or pension consulting agreement in the first year, the full annual fee is then payable to Honu. After the first year, the Client will not be responsible for quarterly payments beyond those when Honu last provided services to the client.

- E. ***Shared fees and commissions.*** Honu does not accept compensation for the sale of securities. Individual investment advisor representatives are licensed insurance agents and can receive commissions only on fixed insurance products. See item 10C for more details.

Lower fees for comparable services may be available from other sources.

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

Honu does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). These fees create a conflict of interest by providing an incentive to the investment advisor to favor performance based accounts over non-performance-based accounts and therefore we do not offer them.

### **Item 7 – Types of Clients**

Honu provides investment advice to individuals, high net worth individuals, trusts, and pension plans. Honu does not impose a minimum account size. Instead, we require a minimum quarterly fee of \$500 for investment advisory clients and a \$1,000 quarterly fee to for wealth management clients.

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

- A. ***Methods of analysis and investment strategies.*** Our investment strategies are based on the overwhelming body of academic research showing that active management underperforms passive management. We also believe that asset allocation and costs are critical determinants of expected returns. Therefore, we use a low-cost, asset allocation approach tied to each individual client's goals and situation. Most clients will have a mix of stocks, bonds and cash each with their own risks. Investing in securities involves risk of loss that clients should be prepared to bear.

- B. **Material risks.** All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
  - **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
  - **Credit Risk:** The return on fixed income investments (e.g., bonds, preferred stock) is dependent on the issuer of the security meeting its commitment to make agreed upon payments. Credit risk is the risk that the issuer does not meet that obligation.
  - **Inflation Risk:** This is also known as “purchasing power risk.” When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation. Fixed payment securities (e.g., CDs, bonds, preferred stock) are particularly sensitive to inflation risk.
  - **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
  - **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment’s originating country. This is also referred to as exchange rate risk.
- C. **Primary security type.** We do not generally recommend individual securities for our clients. Instead we recommend mutual funds and exchange traded funds (ETFs). Frequent trading is not used as a primary strategy.

## Item 9 – Disciplinary Information

Honu has no legal or disciplinary events to report.

## Item 10 – Other Financial Industry Activities and Affiliations

- A. **Broker-dealer registration status.** Honu is not registered or affiliated with any broker-dealer.
- B. **Other financial registration status.** Honu is not registered or affiliated with any futures commission merchant, commodity pool operator, or commodity trading advisor.
- C. **Other relationships/conflicts of interest.** Investment Advisor Representatives (IARs) are individually licensed as insurance agents. IARs may recommend the purchase of fixed insurance products (term life insurance, long-term care insurance, etc) that will earn them a commission. In this situation, a conflict of interests exists between the client and IAR. The client is under no obligation to act upon the IAR's recommendation or use the IAR as their insurance agent. IARs spend less than 1% of their time on insurance transactions. Insurance commissions accounted for less than 1% of Honu's 2017 revenue.

Tom Chun is an enrolled agent and as such provides tax preparation services. This is a separate service that poses no conflict of interest. Tom spends approximately 10% of his time on his tax practice.

Stephen Sustrick provides accounting related services under the name Pacific West Wealth Management Group. This is a separate service that poses no conflict of interest.

- D. **Relationships with other investment advisers.** Honu does not receive compensation from other investment advisers that creates a material conflict of interest. Honu personnel are provided with educational seminars, access to personnel, secure web sites, tools and various other marketing and education materials from other investment advisers (mutual fund companies).

## Item 11 – Code of Ethics

- A. **Code of Ethics.** Honu has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Honu must acknowledge the terms of the Code of Ethics annually, or as amended.
- B. **Related interest in securities.** Honu does not have a financial interest in any of the securities we recommend to clients.
- C. **Investments in same securities.** Subject to satisfying Honu’s personal securities trading procedures and applicable laws, officers, directors and employees of Honu may trade for their own accounts in securities which are recommended to and/or purchased for Honu’s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Honu will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Honu and its clients.
- D. **Buying and selling securities at or about the same time as clients.** The Code of Ethics restricts trading in close proximity to client trading activity.

Honu’s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Garth A. Williams at 650.917.3400.

## **Item 12 – Brokerage Practices**

Clients are free to select any broker they wish, and are so informed. If the client directs Honu in writing to use a particular broker or dealer to execute transactions for the client's account, the client is responsible for negotiating terms and arrangements with that broker/dealer.

If a client does not have a preferred broker, Honu generally recommends Raymond James Financial Services (RJFS), a widely recognized broker/dealer. The primary factors considered in Honu's decision to recommend RJFS include the quality and breadth of the products and services it offers to clients, brokerage and technology. Honu can more effectively monitor and report on client accounts if transactions are made through RJFS. It may be the case that RJFS charges a higher or lower fee than another broker charges for a particular type of service, such as transaction fees. Clients may utilize the broker/dealer of their choice and have no obligation to purchase or sell securities through RJFS.

Honu does not use "soft dollar" arrangements to obtain research, products and/or services from brokers.

## **Item 13 – Review of Accounts**

For Investment Advisory and Wealth Management clients, Investment Adviser Representatives (IARs) continuously monitor accounts to identify situations that may warrant specific actions be taken on behalf of a client's investments or their overall portfolio. Such reviews include, but are not limited to, suitability, performance, asset allocation, change in investment objectives, risk tolerance and concentration.

Honu reviews the mutual funds and other investment vehicles that we recommend to clients on a monthly basis for performance and suitability.

At least quarterly, clients receive a brokerage statement from their custodian. The brokerage statement contains the cash balance, type, name and amount of each security, the current market value of each security, account activity for the period, and when available, the unrealized gain or loss of each security. The client also receives a confirmation of each transaction from their custodian.

In addition, Honu prepares an Annual Performance Summary of client's account(s) showing net contributions and withdrawals, dollar gain or loss, and dollar-weighted rate of return for the year (if we have the data available).

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

Honu does not accept any compensation from anyone for client referrals and does not provide any compensation to anyone for client referrals.

### **Item 15 – Custody**

Clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains their assets. Honu urges you to carefully review such statements.

### **Item 16 – Investment Discretion**

Honu usually receives discretionary authority from clients at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Honu observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Honu in writing.

### **Item 17 – Voting Client Securities**

Honu does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Honu may provide advice to clients regarding the clients' voting of proxies.

### **Item 18 – Financial Information**

- A. **Balance sheet.** Honu is not required to include a balance sheet.
- B. **Financial impairments.** Honu has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.
- C. **Bankruptcy disclosure.** Honu has never been the subject of any bankruptcy proceeding.

### **Item 19 – Requirements for State-Registered Advisers**

- A. **Education and business background.** Garth A. Williams has been the sole owner and Chief Compliance Officer of Honu Wealth Management since 2006.

Education: College for Financial Planning, CFP Education Program  
Santa Clara University, Master of Business Administration  
University of the Pacific, BS in Electrical Engineering

- B. **Other business.** In addition to giving investment advice, Honu provides financial planning services and non-investment related advice. Approximately 50% of our time is devoted to financial planning and non-investment related advice.
- C. **Performance-based fees.** We do not charge any performance-based fees.
- D. **Financial events disclosure.** We have no involvement in any arbitration claims, liability awards or administrative proceedings.
- E. **Ties to securities issuers.** We have no relationships or arrangements with any issuers of securities to disclose.