

FINANCIAL GROWTH MANAGEMENT, INC.

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ADV Brochure – Annual Update

February 2021

This brochure provides information about the qualifications and business practices of Financial Growth Management, Inc. If you have any questions about the contents of this brochure, please contact us at 714-637-7784. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by state securities authorities.

Please note that the use of the term “registered investment adviser” and description of our firm and/or associates as “registered” does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements of our firm’s associates who advise clients for more information on the qualifications of our firm and our employees.

Additional information about Financial Growth Management, Inc. also is available on the SEC’s website at www.adviserinfo.sec.gov by searching CRD #135420.

Item 2 - Material Changes

As of our last annual amendment filing on 02/27/2020, the following change has been made:

- FGM obtained financial assistance by participating in Paycheck Protection Program (“PPP”) established by the U.S. Small Business Administration (“SBA”). PPP is intended to assist us with maintaining our firm’s business in response to the COVID-19 pandemic by providing low-interest loans for business essentials such as payroll expenses. These loans are eligible for forgiveness, but it is not guaranteed as it will be based on factors such as staff retention and being used for payroll or firm overhead. Please refer to Item 18 of this brochure for more information.

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Item 4 - Advisory Business

Financial Growth Management, Inc. (FGM), is owned and managed by the firm's President, Ray M. Hansen, who has been in business since 1969. FGM has been registered as an investment adviser with the state of California since 1987. We provide discretionary money management services, primarily to private individuals with significant investment assets. Our clients may be invested in money market funds, equities, bond funds, and exchange traded funds based on mathematical algorithms and mathematical formulas.

All material conflicts of interest under CCR Section 260.238 (k) are disclosed below regarding our firm, our representatives, or our employees, which could be reasonably expected to impair the rendering of unbiased and objective advice. To comply with CCR Section 260.238(j), we disclose that lower fees for comparable services may be available from other sources.

In association with Steve Todd of Todd Market Forecast, Steve Todd offers FGM services to his market letter subscribers. FGM compensates Steve Todd with a portion of the fees charged to clients in our investment program.

At the start of each client relationship, we will clearly explain our money management services and determine your individual needs and risk tolerance. Together we will agree on goals for return and risk level for your investments through FGM.

All clients must complete an Advisory Agreement with the firm to open an account at FGM. A copy of this executed Agreement shall be delivered to clients as soon as possible, but no later than 20 days after execution.

The FGM Advisory Agreement includes a paragraph granting FGM discretionary authority to direct the investment of your assets managed through our firm. It does not establish a general power of attorney or give us custody of your funds or securities.

Each Asset Management client may place reasonable restrictions on the types of investments to be held in their portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

FGM does not offer participate in a wrap fee program. FGM offers individualized investment advice to our Asset Management clients. As of December 31, 2020, FGM has \$29,611,375 in regulatory assets under management. All assets are managed on a discretionary basis.

Item 5 - Fees and Compensation

Fees for FGM's ongoing money management services are computed as a percentage of total assets under management. Lower or higher fees for comparable services may be found from other sources.

Asset Management Services:

The maximum annual fee charged for this service will not exceed 3.00%. Fees to be assessed will be outlined in the advisory agreement to be signed by the Client. Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Clients may authorize us to withdraw fees directly from their account or pay us directly if they prefer. Our firm has adopted the following safeguarding procedures:

- a) Clients must provide our firm with written authorization permitting direct payment of advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- b) Our firm sends quarterly statements to the client showing the fee amount, the value of the assets upon which the fee is based, and the specific manner in which the fee is calculated as well as disclosing that it is the client's responsibility to verify the accuracy of fee calculation, and that the custodian does not determine its accuracy; and

- c) The account custodian sends a statement to the client, at least quarterly, showing all account disbursements, including advisory fees.

Since our fees are payable in advance, the pro-rated unused portion is refundable upon written notice of cancellation of our management services. FGM may negotiate its fees under certain conditions.

Clients may incur transaction charges for trades executed by their chosen custodian via individual transaction charges. These transaction fees are separate from our FGM's advisory fees and will be disclosed by the chosen custodian. TD Ameritrade, Inc. does not charge transaction fees for U.S. listed equities and exchange traded funds. Clients may also pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (e.g., fund management fees, distribution fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees, and other types of fees and expenses on brokerage accounts and securities transactions. FGM does not receive a portion of these fees.

FGM and its representatives do not sell securities for a commission in advisory accounts.

Item 6 - Performance-Based Fees & Side-by-Side Management

FGM does not offer or participate in any performance-based investment portfolios.

Item 7 – Types of Clients & Account Requirements

Our clients are primarily individuals and high net worth individuals with significant investment assets in:

- IRA's
- Trusts
- Individual and/or Joint Accounts
- Annuities
- Self-Directed Pension & Profit-Sharing Plans

FGM has a minimum portfolio size of \$100,000.00 to open a money management account. The minimum account balance requirement is generally not negotiable. However, FGM at its sole discretion may reduce or waive this minimum account balance requirement under various circumstances. We do not have a minimum portfolio size to maintain an account. Employees of FGM and their family members and friends may be charged a reduced advisory fee or no advisory fee at all.

Item 8 - Methods of Analysis, Investment Strategies & Risk of Loss

Investment Strategies

Based on a proprietary mathematical algorithm, we will invest in high yield bond funds during rising trends and into money market funds during down trends. Using technical analysis, we may purchase equities, equity funds and exchange traded funds during rising markets and money market funds during declining markets. Although the goal of our investment program is to achieve good returns while reducing risk, there are risks inherent in exchanging the investment from one fund to another. We cannot guarantee that objectives of the investment concept will be realized. Exchanges between different investments can result in a gain or loss.

Item 9 - Disciplinary Information

No disciplinary actions have been taken against any of FGM Advisors or employees.

Item 10 - Other Financial Industry Activities and Affiliations

FGM is not registered, nor does it have an application pending to register, as a broker-dealer, registered representative of a broker-dealer, investment company or pooled investment vehicle, other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer or a sponsor or syndicator of limited partnership, or an associated person of the foregoing entities. FGM does not recommend or select other investment advisers for our clients.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

Code of Ethics

FGM and all of its advisors and employees will use honest and ethical business practices at all times. These practices include, but are not limited to:

- Placing clients' priorities and benefits first.
- Helping clients identify their tolerance for investment risk and guiding them towards investments that do not exceed their identified risk tolerance.
- Helping clients determine an acceptable level of account withdrawals to maintain their stated long-term lifestyle goals, as applicable, based on information provided by clients.
- Investing client assets according to the stated investment guidelines and strategies of their selected portfolio models and promptly informing clients of any changes in those guidelines and strategies.
- Providing complete, honest and regular communication to clients on the status of their accounts and the relative performance of the FGM portfolio models.
- Maintaining confidentiality of client information. (FGM Privacy Policy)
- Fully informing clients when a potential conflict of interest exists that may influence the advice being sought.
- Not placing discretionary investment orders without having clients' written authorization of discretionary power.
- Not inducing trading in a customer's account that is excessive in size or frequency in view of the financial resources and character of the account ("churning").
- Not borrowing money or securities from, or lending money or securities to, a customer.
- Not investing in any unregistered or unlawful securities.
- Not placing, or recommending that a client place, an order to buy or sell a security through an agent that is not properly licensed or is otherwise inappropriate.
- Reporting promptly to a member of the FGM management team any violations of the "Code of Ethics" and "Privacy Policy."

- All individuals employed by FGM must act in accordance with all applicable Federal and State regulations governing registered investment Advisory practices.

Participation In Client Transactions

FGM may purchase/sell mutual funds, individual and index share securities for their own account. When buying and selling individual and Index shares, the price will be the same for all clients and FGM. Our accounts are managed in the same way as other client accounts and in no way are given any preferential treatment over other client accounts.

Additionally, it is the expressed policy of FGM that:

- No one employed by us shall put their own interest or that of family members above that of our clients.
- All individuals employed by us must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- No one employed by us may purchase or sell any security for personal gain prior to a transaction(s) being implemented for a client.
- No one employed by us may buy or sell securities for their personal portfolio(s) where their decision is substantially derived by reason of their employment, unless the information is also available to the investing public on reasonable inquiry.

Insider Trading Is Prohibited

Everyone associated with FGM (including partners, staff, consultants and any independent contractors) are strictly prohibited from trading for their own accounts, or accounts of their customers, friends, family or relatives, based on their possession of material non-public information. Additionally, they are strictly prohibited from communicating any non-public information to anyone other than personnel involved, who have a legitimate need to know that information.

We obtain information from a wide variety of publicly available sources. Our advisers do not have and shall not claim to have sources of inside or private information. In the normal course of our business, it would be highly unlikely that any of our partners or staff would have access to non-public information. Given the nature of our operations, it is not feasible to develop specific procedures to prevent insider trading. We must rely on our firm policy, which is in full force and effect at all times, should there be a situation in which FGM possesses material non-public information.

Privacy Policy

We will keep confidential all information concerning client identity, financial affairs, and investments, except as the client otherwise agrees or as is required by law.

Item 12 - Brokerage Practices

Our firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Financial condition
- Business reputation
- Quality of services

With this in consideration, our firm participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, member FINRA/SIPC. Our firm also has an arrangement with E-Trade Financial Corporation (“E*Trade”) for custodial services. TD Ameritrade and E*Trade (hereinafter collectively referred to as the “Custodians”) are independent and unaffiliated SEC-registered broker-dealers. The Custodians offer services to independent investment advisers which includes custody of securities, trade execution, clearance and settlement of transactions. The Custodians enable us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. The Custodians do not charge client accounts separately for custodial services. Client accounts will be charged transaction fees, commissions or other fees on trades that are executed or settle into the client’s custodial account. However, TD Ameritrade does not charge transaction fees for U.S. listed equities and exchange-traded funds. Transaction fees are negotiated with the Custodians and are generally discounted from customary retail commission rates. This benefits clients because the overall fee paid is often lower than would be otherwise.

The Custodians may make certain research and brokerage services available at no additional cost to our firm. Research products and services provided by the Custodians may include: research reports on recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by the Custodians to our firm in the performance of our investment decision-making responsibilities.

The Custodians do not make client brokerage commissions generated by client transactions available for our firm's use. The aforementioned research and brokerage services are used by our firm to manage accounts for which our firm has investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

Our clients may pay a transaction fee or commission to the Custodians that is higher than another qualified broker dealer might charge to effect the same transaction where our firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided to the client as a whole.

Our firm does not receive soft dollars in excess of what is allowed by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor research products and services obtained by our firm will generally be used to service all of our clients but not necessarily all at any one particular time.

Our Chief Compliance Officer, Raymond Hansen, is available to address any questions that a client or prospective client may have regarding any concerns about perceived conflict of interest.

Item 13 - Review of Accounts

All accounts are reviewed upon any activity to verify transactions were completed properly. Our President and Chief Compliance Officer, Raymond Hansen, reviews all accounts quarterly. Clients have different investment goals and risk tolerances, so when we do a review, we make sure that accounts are still matching the goals and risk tolerances with the current market conditions and analysis of those market conditions.

Item 14 - Client Referrals and Other Compensation

FGM pays referrals fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of clients to FGM in accordance with relevant state statutes and rules. Such referral fee represents a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to the referred client. In this regard, FGM maintains Solicitors Agreements in compliance with relevant state statutes and rules and applicable state and federal laws. All clients referred by Solicitors to FGM will be given full written disclosure describing the terms and fee arrangements between FGM and Solicitor(s). In cases where state law requires licensure of solicitors, FGM ensures that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of FGM. If FGM is paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

As previously discussed on page 4 "Advisory Business", we work in association with Steve Todd of the Todd Market Forecast, Steve Todd offers FGM services to his market letter subscribers. We compensate Steve Todd with a portion of the fees charged to clients in investment program.

Our firm may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice given to clients, although we receive economic benefits through our 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 our firm's 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 us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our firm's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit our firm but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our firm's choice of TD Ameritrade for custody and brokerage services.

Item 15 – Custody

Deduction of Advisory Fees:

State Securities Bureaus generally take the position that any arrangement under which a registered investment adviser is authorized or permitted to withdraw client funds or securities maintained with a custodian upon the adviser's instruction to the custodian is deemed to have custody of client funds and securities. As such, our firm has adopted the following safeguarding procedures:

- a) Clients must provide our firm with written authorization permitting direct payment of advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- b) Our firm sends quarterly statements to the client showing the fee amount, the value of the assets upon which the fee is based, and the specific manner in which the fee is calculated as well as disclosing that it is the client's responsibility to verify the accuracy of fee calculation, and that the custodian does not determine its accuracy; and
- c) The account custodian sends a statement to the client, at least quarterly, showing all account disbursements, including advisory fees.

Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

Item 16 - Investment Discretion

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement. In accordance with CCR Section 260.237.2(f)(1), our firm will obtain client permission prior to effecting securities transactions in client accounts managed on a non-discretionary basis. As agents for clients we, in the case of discretionary cash and margin accounts, purchase/sell mutual funds through a broker. Discretion is limited to selection, sales, and purchases. We may also invest client funds in individual securities and index shares such as the NASDAQ 100, S&P 500, Midcap 400, and Dow Jones shares known as Diamonds.

Item 17 - Voting Client Securities

It is the policy of FGM not to vote proxies on behalf of clients. Custodians are directed to forward all shareholder related materials to the owner of the account.

Item 18 - Financial Information

Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$500 in fees when services cannot be rendered within 6 months.
- Our firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- Our firm has never been the subject of a bankruptcy proceeding.

FGM obtained financial assistance by participating in PPP established by the U.S. SBA. PPP is intended to assist us with maintaining our firm's business in response to the COVID-19 pandemic by providing low-interest loans for business essentials such as payroll expenses. These loans are eligible for forgiveness, but it is not guaranteed as it will be based on factors such as staff retention and being used for payroll or firm overhead.

Item 19 – Requirements for State-Registered Advisers

Raymond M. Hansen

Year of Birth: 1943

Education Background

- Received an AA degree from El Camino College in Torrance, CA
- Received a BA degree from California State University, Long Beach, CA

Business Experience

- 1986 – Present Financial Growth Management; President & Investment Adviser Representative
- 01/2000 – 12/2005 Iron Street Securities, Investment Broker
- 05/1998 – 01/2000 American Heartland, Investment Broker
- 06/1995 – 05/1998 1st Springfield Securities, Investment Broker
- 12/1988 – 05/1995 Spelman & Co., Investment Broker
- 04/1986 - 12/1988 1st Affiliated Securities, Investment Broker

- 03/1984 - 04/1986 Prudential Bache, Investment Broker
- 12/1973 - 03/1984 Paine Webber, Investment Broker
- 1969 – 1973 Walston & Co., Investment Broker, MM

Our firm is not actively engaged in any other business other than giving investment advice. Our firm does not charge performance-based fees. Our firm and management persons have not been involved in any arbitration awards, found liable in any civil, self-regulatory organization or administrative proceedings or have any relationships with issuers or securities apart from what is disclosed above.

Our firm does not have compensation arrangements connected with advisory services which are in addition to our advisory fees. Our management persons and representatives do not engage in other financial industry activities or affiliations. As a fiduciary, our firm always put our Client's interest above our own. Information regarding participation of interest in client transactions can be found in our Code of Ethics as well as Item 11 of this Brochure. Clients may obtain a copy of our Code of Ethics by contacting Ray Hansen, Chief Compliance Officer at 714-637-7784.