

Item 1: Cover Page: Form ADV Part 2A



Cates Financial Planning, LLC

DBA “Cates FP”

DBA “Cates Tax Advisory”

4120 Bonita Ave
Denton, TX 76210

Form ADV Part 2A – Firm Brochure

<http://catesfp.com/>

(940) 368-0909

Dated February 1, 2019

This Brochure provides information about the qualifications and business practices of Cates Financial Planning, LLC, DBA “Cates FP”, DBA “Cates Tax Advisory”. If you have any questions about the contents of this Brochure, please contact us at (940) 368-0909. 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.

Cates Financial Planning, LLC is registered as an Investment Adviser with the State of Texas. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Cates FP is available on the SEC's website at www.adviserinfo.sec.gov which can be found using the firm's identification number 290650.

Item 2: Material Changes

Since the last annual update to our ADV Part 2 Brochure on January 2, 2018, the following material changes occurred:

1. Item 5: Fees and Compensation – We clarified the services included with the Comprehensive Tax and Wealth Management Service and removed Business Tax Preparation as an included service.
2. Item 5: Fees and Compensation – We amended the fee for the Ongoing Tax and Financial Planning service.
3. Item 4: Types of Advisory Services: Ongoing Financial & Tax Planning: Under the topic of “Tax Planning Strategies” we adjusted the wording to clarify that we provide tax advice and planning, but referrals for highly specialized tax advice may occur.

Future Changes

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of Cates FP.

At any time, you may view the current Disclosure Brochure on-line at the SEC’s Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov> by searching for our firm name or by our CRD number 290650.

You may also request a copy of this Disclosure Brochure at any time, by contacting us at (940) 368-0909.

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Item 4: Advisory Business

Description of Advisory Firm

Cates Financial Planning, LLC is registered as an Investment Adviser with the State of Texas. Cates Financial Planning, LLC was formed in April 2016. Cary Cates is the principal owner of Cates FP. Cates FP currently reports \$10,037,401 discretionary and no non-discretionary Assets Under Management.

Types of Advisory Services

Investment Management Services

We are in the business of managing individually tailored and model investment portfolios. Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy or an investment plan with an asset allocation target and create and manage a portfolio based on that policy and allocation targets. We may also review and discuss a client's prior investment history, as well as family composition and background.

Account supervision is guided by the stated objectives of the client (e.g., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Fees pertaining to this service are outlined in Item 5 of this brochure.

Ongoing Financial & Tax Planning

This service involves working one-on-one with a planner over an extended period of time. By paying a fixed monthly fee, clients get to work with a planner who will work with them to design their plan. The planner will monitor the plan, recommend any changes and ensure the plan is up to date.

Upon desiring a financial plan, a client will be taken through establishing their goals and values around money. They will be required to provide information to help complete the following areas of analysis: net worth, cash flow, insurance, credit scores/reports, employee benefit, retirement planning, insurance, investments, college planning and estate planning. Once the client's information is reviewed, their plan will be built and analyzed, and then the findings, analysis and potential changes to their current situation will be reviewed with the client. Clients subscribing to this service will receive a written or an electronic report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives. Typically, the detailed financial plan is delivered in modules, meaning the plan is broken into smaller portions and delivered over time depending on the client's specific situation. If a follow up meeting is required, we will meet at the client's convenience. The plan and the client's financial situation and goals will be monitored throughout the year and follow-up phone calls and emails will be made to the client to confirm that any agreed upon action steps have been carried out. On at least an annual basis there will be a full review of this plan to ensure its accuracy and ongoing appropriateness. Any needed updates will be implemented at that time.

While specific needs of the client will vary, generally the following schedule will apply to ongoing financial and tax planning services:

February - April: Tax preparation and tax planning

May - July: Investment, retirement, and savings goals reviews

August - October: Insurance and estate planning

November - January: Employee and fringe benefit reviews

We do also offer **hourly financial planning** engagements to clients needing guidance on specific areas surrounding their financial situation.

Financial planning is an evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information and analysis will be considered as they affect and are affected by the entire financial and life situation of the client. Clients purchasing this service will receive a written or an electronic report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives. The financial plan is typically delivered in modules to help the client prioritize and focus on specific financial objectives.

In general, the financial plan will address any or all of the following areas of concern. The client and advisor will work together to select the specific areas to cover. These areas may include, but are not limited to, the following:

- **Business Planning:** We provide consulting services for clients who currently operate their own business, are considering starting a business, or are planning for an exit from their current business. Under this type of engagement, we work with you to assess your current situation, identify your objectives, and develop a plan aimed at achieving your goals.
- **Cash Flow and Debt Management:** We will conduct a review of your income and expenses to determine your current surplus or deficit along with advice on prioritizing how any surplus should be used or how to reduce expenses if they exceed your income. Advice may also be provided on which debts to pay off first based on factors such as the interest rate of the debt and any income tax ramifications. We may also recommend what we believe to be an appropriate cash reserve that should be considered for emergencies and other financial goals, along with a review of accounts (such as money market funds) for such reserves, plus strategies to save desired amounts.
- **College Savings:** Includes projecting the amount that will be needed to achieve college or other post-secondary education funding goals, along with advice on ways for you to save the desired amount. Recommendations as to savings strategies are included, and, if needed, we will review your financial picture as it relates to eligibility for financial aid or the best way to contribute to grandchildren (if appropriate).
- **Employee Benefits Optimization:** We will provide review and analysis as to whether you, as an employee, are taking the maximum advantage possible of your employee benefits. If you are a business

owner, we will consider and/or recommend the various benefit programs that can be structured to meet both business and personal retirement goals.

- **Estate Planning:** This usually includes an analysis of your exposure to estate taxes and your current estate plan, which may include whether you have a will, powers of attorney, trusts and other related documents. Our advice also typically includes ways for you to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts.

We always recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We may provide you with contact information for attorneys who specialize in estate planning when you wish to hire an attorney for such purposes. From time-to-time, we will participate in meetings or phone calls between you and your attorney with your approval or request.

- **Financial Goals:** We will help clients identify financial goals and develop a plan to reach them. We will identify what you plan to accomplish, what resources you will need to make it happen, how much time you will need to reach the goal, and how much you should budget for your goal.
- **Insurance:** Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **Investment Analysis:** This may involve developing an asset allocation strategy to meet clients' financial goals and risk tolerance, providing information on investment vehicles and strategies, reviewing employee stock options, as well as assisting you in establishing your own investment account at a selected broker/dealer or custodian. The strategies and types of investments we may recommend are further discussed in Item 8 of this brochure.
- **Retirement Planning:** Our retirement planning services typically include projections of your likelihood of achieving your financial goals, typically focusing on financial independence as the primary objective. For situations where projections show less than the desired results, we may make recommendations, including those that may impact the original projections by adjusting certain variables (e.g., working longer, saving more, spending less, taking more risk with investments).

If you are near retirement or already retired, advice may be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

- **Risk Management:** A risk management review includes an analysis of your exposure to major risks that could have a significant adverse impact on your financial picture, such as premature death, disability, property and casualty losses, or the need for long-term care planning. Advice may be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the benefits of doing

so and, likewise, the potential cost of not purchasing insurance (“self-insuring”).

- **Tax Planning Strategies:** Advice may include ways to minimize current and future income taxes as a part of your overall financial planning picture. For example, we may make recommendations on which type of account(s) or specific investments should be owned based in part on their “tax efficiency,” with consideration that there is always a possibility of future changes to federal, state or local tax laws and rates that may impact your situation.

We provide tax advice and planning for clients as qualified tax professionals. Occasionally, we may recommend you speak to accountants or attorneys who work in specialized tax fields if it is relevant to your situation. We will participate in meetings or phone calls between you and the specialized tax professional with your approval.

Personal Tax Return Preparation

We prepare and electronically file Federal and state tax returns for individuals from information the client provides. We may ask for explanation or clarification of some items, but we will not audit or otherwise verify client data. The client is responsible for the completeness and accuracy of information used to prepare the returns. Our responsibility is to prepare the returns in accordance with applicable tax laws.

We may observe opportunities for tax savings that require planning or changes in the way the client handles some transactions. While an engagement for tax return preparation does not include significant tax planning services, we will share any ideas we have with you and discuss terms for any additional work that may be required to implement those ideas.

Business Tax Return Preparation

We prepare and electronically file Federal and state tax returns for businesses from information the client provides. We may ask for explanation or clarification of some items, but we will not audit or otherwise verify client data. The client is responsible for the completeness and accuracy of information used to prepare the returns. Our responsibility is to prepare the returns in accordance with applicable tax laws.

We may observe opportunities for tax savings that require planning or changes in the way the client handles some transactions. While an engagement for tax return preparation does not include significant tax planning services, we will share any ideas we have with you and discuss terms for any additional work that may be required to implement those ideas.

We do not provide bookkeeping or payroll services. It is the client’s responsibility to properly keep business records and file and remit appropriately for payroll.

IRS Representation and Resolution

We provide IRS representation and resolution services to clients. The need for these services typically arise when a client has received a notice from the IRS or realizes he or she made errors on past tax returns. In order to provide these services, we have a client complete IRS Form 2848 declaring us as a representative in

accordance with Treasury Department Circular 230. As a representative of the taxpayer client, we communicate directly with the IRS on their behalf.

Client Tailored Services and Client Imposed Restrictions

We offer the same suite of services to all of our clients. However, specific client financial plans and their implementation are dependent upon the client Investment Plan which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Wrap Fee Programs

We do not participate in wrap fee programs.

Item 5: Fees and Compensation

Please note, unless a client has received the firm's disclosure brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees. How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below.

Comprehensive Tax and Wealth Management Services

Asset Tier	Fee (as % of managed assets)
First \$500,000	1.00%
\$500,001 to \$1,000,000	0.75%
\$1,000,001 to \$3,000,000	0.50%
\$3,000,001 and up	0.25%

**Minimum annual fee of \$5,000 paid in monthly installments.*

The annual fees are negotiable and are pro-rated and paid in arrears on a monthly basis. The advisory fee is a blended fee and is calculated by assessing the percentage rates using the predefined levels of assets as shown in the above chart, and applying the fee to the account value as of the last day of the previous month resulting in a combined weighted fee. For example, if total assets valued \$5,000,000 it would pay an effective fee of 0.475% with the annual fee of \$23,750. The monthly fee is determined by the following calculation: $((\$500,000 \times 1.00\%) + (\$500,000 \times 0.75\%) + (\$2,000,000 \times 0.50\%) + (\$2,000,000 \times 0.25\%) \div 12 = \$1,979.17$. No increase in the annual fee shall be effective without agreement from the client by signing a new agreement or amendment to their current advisory agreement.

Advisory fees are directly debited from client accounts, or the client may choose to pay by check. Accounts initiated or terminated during a calendar month will be charged a pro-rated fee based on the amount of time remaining in the billing period. An account may be terminated with written notice at least 30 calendar days in advance. Since fees are paid in arrears, no rebate will be needed upon termination of the account.

We must disclose, pursuant to Texas State Securities Board Rule 116.13(a), that if assets under management are \$166,667 or less, our minimum fee of \$5,000 would be 3% of the account value or greater. This level of fee is in

excess of the industry norm. Similar services can be obtained for less from other sources. The \$5,000 minimum fee takes into account the added value of included tax preparation services.

The Comprehensive Tax and Wealth Management Services include investment management, ongoing financial and tax planning, personal tax return preparation, and IRS representation on any tax returns prepared by the Advisor, depending on the needs of the client.

A La Carte Services

Investment Management Services

Our standard advisory fee is based on the market value of the assets under management and is calculated as follows:

Asset Tier	Fee (as % of managed assets)
First \$100,000	1.50%
\$100,001 to \$300,000	1.25%
\$300,001 and up	1.00%

The annual fees are negotiable and are pro-rated and paid in arrears on a monthly basis. The advisory fee is a blended fee and is calculated by assessing the percentage rates using the predefined levels of assets as shown in the above chart, and applying the fee to the account value as of the last day of the previous quarter resulting in a combined weighted fee. For example, an account valued at \$500,000 would pay an effective fee of 1.2% with the annual fee of \$6,000.00. The monthly fee is determined by the following calculation: $((\$100,000 \times 1.50\%) + (\$200,000 \times 0.95\%) + (\$200,000 \times 0.75\%)) \div 12 = \500.00 . No increase in the annual fee shall be effective without agreement from the client by signing a new agreement or amendment to their current advisory agreement.

Advisory fees are directly debited from client accounts, or the client may choose to pay by check. Accounts initiated or terminated during a calendar month will be charged a pro-rated fee based on the amount of time remaining in the billing period. An account may be terminated with written notice at least 30 calendar days in advance. Since fees are paid in arrears, no rebate will be needed upon termination of the account.

Ongoing Financial and Tax Planning

Comprehensive Financial and Tax Planning consists of an ongoing fee that is paid monthly, in advance, at a rate from \$150 to \$400 per month depending on complexity. The fee may be negotiable in certain cases. Fees for this service may be paid by electronic funds transfer, check, or debited directly from client accounts. This service may be terminated with 30 days' notice. Upon termination of any account, any prepaid but unearned fee will be prorated and will be refunded to the client.

If investment management is requested along with ongoing financial planning, and the Comprehensive Tax and Wealth Management service is not desired, the investment management fee will be a flat 0.75% on all managed investments. The fee will be paid in arrears and debited directly from client accounts on a monthly basis.

Financial Planning Hourly Fee

Financial Planning fee is an hourly rate of \$175 per hour. The fee may be negotiable in certain cases and is due at the completion of the engagement. In the event of early termination by client, any fees for the hours already worked will be due. Fees for this service may be paid by electronic funds transfer or check.

Personal Tax Return Preparation

The fees for Personal Tax Return Preparation typically range from \$150 to \$1,500 depending on complexity and quality of recordkeeping. The fees may be negotiable in certain cases and are due at the completion of the engagement.

Business Tax Return Preparation

The fees for Business Tax Return Preparation for S Corporation, Partnership, Estate, and Trust tax returns typically range from \$400 to \$4,000 depending on complexity and quality of recordkeeping. The fees may be negotiable in certain cases and are due at the completion of the engagement.

IRS Representation and Resolution

IRS Representation and Resolution is billed at a rate of \$175 per hour and is due at the completion of the engagement. In the event of early termination by client, any fees for the hours already worked will be due. Fees for this service may be paid by electronic funds transfer or check.

Other Types of Fees and Expenses

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).

We do not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

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

We do not offer performance-based fees.

Item 7: Types of Clients

We provide financial planning and portfolio management services to individuals and high net-worth individuals.

We do not have a minimum account size requirement.

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

When clients have us complete an Investment Analysis (described in Item 4 of this brochure) as part of their financial plan or as part of the investment management service our primary methods of investment analysis are fundamental and cyclical.

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's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. 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.

Cyclical analysis is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Passive Investment Management

We primarily practice passive investment management. Passive investing involves building portfolios that are comprised of various distinct asset classes. The asset classes are weighted in a manner to achieve a desired relationship between correlation, risk and return. Funds that passively capture the returns of the desired asset classes are placed in the portfolio. The funds that are used to build passive portfolios are typically index mutual funds or exchange traded funds.

Passive investment management is characterized by low portfolio expenses (i.e. the funds inside the portfolio have low internal costs), minimal trading costs (due to infrequent trading activity), and relative tax efficiency (because the funds inside the portfolio are tax efficient and turnover inside the portfolio is minimal).

In contrast, active management involves a single manager or managers who employ some method, strategy or technique to construct a portfolio that is intended to generate returns that are greater than the broader market or a designated benchmark. Academic research indicates most active managers underperform the market.

Material Risks Involved

All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear. Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

Market Risk: Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

Strategy Risk: The Adviser's investment strategies and/or investment techniques may not work as intended.

Small and Medium Cap Company Risk: Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

Turnover Risk: At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

Interest Rate Risk: Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

Legal or Legislative Risk: Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

Inflation: Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

Risks Associated with Securities

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

Common stocks may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

Corporate Bonds are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

Bank Obligations including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

Municipal Bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax

return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

Exchange Traded Funds prices may vary significantly from the Net Asset Value due to market conditions. Certain Exchange Traded Funds may not track underlying benchmarks as expected. ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. The Adviser has no control over the risks taken by the underlying funds in which client's invest.

Investment Companies Risk. When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Item 9: Disciplinary Information

Criminal or Civil Actions

Cates FP and its management have not been involved in any criminal or civil action.

Administrative Enforcement Proceedings

Cates FP and its management have not been involved in administrative enforcement proceedings.

Self-Regulatory Organization Enforcement Proceedings

Cates FP and its management have not been involved in legal or disciplinary events that are material to a client's or prospective client's evaluation of Cates FP or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

No Cates FP employee is registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

No Cates FP employee is registered, or have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor.

Cates FP does not have any related parties. As a result, we do not have a relationship with any related parties.

Cates FP only receives compensation directly from clients. We do not receive compensation from any outside source. We do not have any conflicts of interest with any outside party.

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

As a fiduciary, our firm and its associates have a duty of utmost good faith to act solely in the best interests of each client. Our clients entrust us with their funds and personal information, which in turn places a high standard on our conduct and integrity. Our fiduciary duty is a core aspect of our Code of Ethics and represents the expected basis of all of our dealings. The firm also adheres to the Code of Ethics and Professional Responsibility adopted by the CFP® Board of Standards Inc., and accepts the obligation not only to comply with the mandates and requirements of all applicable laws and regulations but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities.

Code of Ethics Description

This code does not attempt to identify all possible conflicts of interest, and literal compliance with each of its specific provisions will not shield associated persons from liability for personal trading or other conduct that violates a fiduciary duty to advisory clients. A summary of the Code of Ethics' Principles is outlined below.

- Integrity - Associated persons shall offer and provide professional services with integrity.
- Objectivity - Associated persons shall be objective in providing professional services to clients.
- Competence - Associated persons shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which they are engaged.
- Fairness - Associated persons shall perform professional services in a manner that is fair and reasonable to clients, principals, partners, and employers, and shall disclose conflict(s) of interest in providing such services.
- Confidentiality - Associated persons shall not disclose confidential client information without the specific consent of the client unless in response to proper legal process, or as required by law.
- Professionalism - Associated persons' conduct in all matter shall reflect credit of the profession.
- Diligence - Associated persons shall act diligently in providing professional services.

We periodically review and amend our Code of Ethics to ensure that it remains current, and we require all firm access persons to attest to their understanding of and adherence to the Code of Ethics at least annually. Our firm will provide of copy of its Code of Ethics to any client or prospective client upon request.

Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest

Neither our firm, its associates or any related person is authorized to recommend to a client, or effect a transaction for a client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, adviser to the issuer, etc.

Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest

Our firm and its “related persons” do not invest in the same securities, or related securities, e.g., warrants, options or futures, which we recommend to clients.

Trading Securities At/Around the Same Time as Client’s Securities

Because our firm and its “related persons” do not invest in the same securities, or related securities, e.g., warrants, options or futures, which we recommend to clients, we do not trade in securities at or around the same time as clients.

Item 12: Brokerage Practices

Factors Used to Select Custodians and/or Broker-Dealers

Cates Financial Planning, LLC does not have any affiliation with Broker-Dealers. Specific custodian recommendations are made to client based on their need for such services. We recommend custodians based on the reputation and services provided by the firm.

1. Research and Other Soft-Dollar Benefits

We currently do not receive soft dollar benefits.

2. Brokerage for Client Referrals

We receive no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. Clients Directing Which Custodian to Use

We do recommend a specific custodian for clients to use, however, clients may custody their assets at a custodian of their choice. Clients may also direct us to use a specific custodian to execute transactions. By allowing clients to choose a specific custodian, we may be unable to achieve most favorable execution of client transaction and this may cost clients money over using a lower-cost custodian.

The Custodian We Use (TD Ameritrade)

Cates FP participates in TD Ameritrade’s institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Cates FP’s participation in the program and the investment advice it gives to its clients, although Cates FP 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 Cates FP 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 Cates FP by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Cates FP’s related persons. Some of the products and services

made available by TD Ameritrade through the program may benefit Cates FP but may not benefit its client accounts. These products or services may assist Cates FP in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Cates FP manage and further develop its business enterprise. The benefits received by Cates FP 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, Cates FP endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Cates FP or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Cates FP's choice of TD Ameritrade for custody and brokerage services.

Additional Financial Resources Used for Clients

Cates FP occasionally uses and recommends other financial companies to help clients meet their goals. These financial companies are only used in certain specific circumstances, as described below.

529 Plans – We recommend clients use My529 (formerly Utah Education Savings Plan) due to the low-cost investment options, low-cost administrative fees, ability to execute trades with discretion, and ability to upload data to our performance software.

ORP/TSA 403(b) Plans – We recommend clients use TIAA-CREF when they want investment management of their Texas ORP or TSA 403(b) plans; this is typically applicable to employees at local universities. TIAA-CREF allows us to utilize special investments backed by the insurers general account, provides low cost investment options, allows us to execute trades with discretion, allows direct billing of AUM fees, and allows us to upload data to our performance software.

Life Insurance and Annuity Contracts – When clients need life insurance, income guaranteed by an insurance company, a lower cost insurance product, or another offering best provided by an insurance company, we will occasionally utilize an insurer with low-cost and commission-free insurance products designed specifically for registered investment advisors. This is a continually evolving product market, but in the past we have utilized or researched products from TIAA-CREF, Nationwide, Allianz, Lincoln Financial, and expect the list to grow along with the product market. Besides being low-cost and commission-free, these products typically us to manage investments or make policy changes with discretion, allow for AUM billing on cash values, and allow us to upload data to our performance software.

Aggregating (Block) Trading for Multiple Client Accounts

We do not usually combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as “block trading”). While block trading may benefit certain clients by reducing transaction costs, we do not feel our clients are disadvantaged due to the fact that we execute trades on an individual basis. We develop an individualized investment strategy based on the client’s needs and objectives and holdings will vary. Based on the types of securities we usually use, and the long-term passive management nature of our investment strategies we do not believe that the benefit of block trading would usually be great enough to modify an individual client’s investment strategy and investment schedule. If we are concerned that the size of a trade, or aggregate trades, in a security could affect the execution price due

to the average daily volume of the security, we will strongly consider making a block trade to attempt to reduce the impact of the trade(s).

Item 13: Review of Accounts

Client accounts with the Investment Management Service will be reviewed regularly on a quarterly basis by Cary Cates, Managing Member and CCO. The account is reviewed with regards to the client's investment policies and risk tolerance levels. Events that may trigger a special review would be unusual performance, addition or deletions of client-imposed restrictions, excessive draw-down, volatility in performance, or buy and sell decisions from the firm or per client's needs.

Clients will receive trade confirmations from the broker(s) for each transaction in their accounts as well as monthly or quarterly statements and annual tax reporting statements from their custodian showing all activity in the accounts, such as receipt of dividends and interest.

Cates FP will provide written reports to Investment Management clients on a quarterly basis, however, performance reporting may not be tracked on accounts with less than \$25,000. We urge clients to compare these reports against the account statements they receive from their custodian.

Item 14: Client Referrals and Other Compensation

We do not receive any economic benefit, directly or indirectly, from any third party for advice rendered to our clients. Nor do we, directly or indirectly, compensate any person who is not advisory personnel for client referrals.

We receive a non-economic benefit from TD Ameritrade in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at TD Ameritrade. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices). The availability to us of TD Ameritrade's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Item 15: Custody

Cates FP does not accept custody of client funds except in the instance of withdrawing client fees.

For client investment accounts in which Cates FP directly debits their advisory fee:

- i. Cates FP will send a copy of its invoice to the custodian at the same time that it sends the client a copy.
- ii. The custodian will send at least quarterly statements to the client showing all disbursements for the account, including the amount of the advisory fee.

- iii. The client will provide written authorization to Cates FP, permitting them to be paid directly for their accounts held by the custodian.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements or reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16: Investment Discretion

For those client accounts where we provide investment management services, we maintain discretion over client accounts with respect to securities to be bought and sold and the amount of securities to be bought and sold. The client may impose reasonable restrictions on as to the securities or types of securities the adviser may invest in, however, certain restrictions may cause Adviser to deviate from implementing investment decisions it would otherwise make in managing the Account, and may impair the attainment of the Client's investment objectives and affect overall performance of the Account. Additionally, the performance of the Account may materially differ from otherwise similar accounts managed on a fully discretionary basis by Adviser. Investment discretion is explained to clients in detail when an advisory relationship has commenced. At the start of the advisory relationship, the client will execute a Limited Power of Attorney, which will grant our firm discretion over the account. The discretionary relationship will be outlined in the advisory contract and signed by the client.

Item 17: Voting Client Securities

We do not vote Client proxies. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

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 you any electronic solicitation to vote proxies.

Item 18: Financial Information

Registered Investment Advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding. We do not have custody of client funds or securities or require or solicit prepayment of more than \$500 in fees per client six months in advance.

Item 19: Requirements for State-Registered Advisers

Cary Cates

Education, Business Experience, Professional Designations.

Formal Education background, business experience, and relevant professional designations of Cary Cates have been presented in the ADV Part 2B.

Other Business Activities

The Other Business Activities of Cary Cates are presented in Item 3 of the ADV Part 2B.

Performance Based Fees

Cates FP is not compensated by performance-based fees.

Material Disciplinary Disclosures

- a) A criminal or civil action in a domestic, foreign or military court of competent jurisdiction.
 - We do not have anything to report for this item.
- b) An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.
 - We do not have anything to report for this item.
- c) A self-regulatory organization (SRO) proceeding.
 - We do not have anything to report for this item.

Material Relationships That Management Persons Have With Issuers of Securities

Cates Financial Planning, LLC, nor Cary Cates, have any relationship or arrangement with issuers of securities.

Additional Compensation

Cary Cates does not receive any economic benefit from any person, company, or organization, in exchange for providing clients advisory services through Cates FP.

Requirements for State Registered Advisers

Cary Cates has NOT been involved in an arbitration, civil proceeding, self-regulatory proceeding, administrative proceeding, or a bankruptcy petition.

Cates Financial Planning, LLC

4120 Bonita Ave
Denton, TX 76210
(940) 368-0909

Dated January 2, 2018

<http://catesfp.com/>

Form ADV Part 2B – Brochure Supplement

For

Cary Cates - Individual CRD# 5761798

Managing Member, and Chief Compliance Officer

This brochure supplement provides information about Cary Cates that supplements the Cates Financial Planning, LLC (“Cates FP”) brochure. A copy of that brochure precedes this supplement. Please contact Cary Cates if the Cates FP brochure is not included with this supplement or if you have any questions about the contents of this supplement.

Additional information about Cary Cates is available on the SEC’s website at www.adviserinfo.sec.gov which can be found using the identification number 5761798.

Item 2: Educational Background and Business Experience

Cary Cates

Born: 1983

Educational Background

- 2016 - MBA Strategic Management, University of North Texas
- 2010 - BBA Financial Services, University of North Texas

Business Experience

- 10/2017 – Present, Cates FP, Managing Member and CCO
- 05/2016 - Present, Cates Tax Advisory, Owner
- 08/2013 - Present, University of North Texas, Adjunct Professor
- 05/2013 - 05/2016, Grunden Financial Advisory, Inc., Financial Planning Specialist
- 01/2012 - 05/2016, Cates Income Tax, Owner
- 08/2010 - 05/2013, Sagepoint Financial, Registered Representative/Owner
- 06/2005 - 03/2013, Walgreens, Assistant Manager

Professional Designations, Licensing & Exams

CFP (Certified Financial Planner)®: The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 71,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;

- Examination – Pass the comprehensive CFP® Certification Examination. The examination includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
 - Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.
- CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

EA (Enrolled Agent): An enrolled agent is a person who has earned the privilege of representing taxpayers before the Internal Revenue Service. Enrolled agent status is the highest credential the IRS awards. Enrolled agents, like attorneys and certified public accountants (CPAs), have unlimited practice rights. This means they are unrestricted as to which taxpayers they can represent, what types of tax matters they can handle, and which IRS offices they can represent clients before.

To earn the privilege to be an Enrolled Agent, an individual must satisfactorily fulfill the following requirements:

- Examination or Experience – An EA must either pass the three Special Enrollment Examinations (SEE) or have experience as a former Internal Revenue Service employee.
- Continuing Education – Complete 72 hours of continuing education hours every three years, with a minimum of 16 hours each year. Of the required annual continuing education hours, at least two hours must be ethics education.
- Ethics – An EA must pass a tax compliance check and adhere to Treasury Department Circular No. 230.

Item 3: Disciplinary Information

- a) A criminal or civil action in a domestic, foreign or military court of competent jurisdiction.
 - We do not have anything to report for this item.
- b) An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.
 - We do not have anything to report for this item.
- c) A self-regulatory organization (SRO) proceeding.
 - We do not have anything to report for this item.

Item 4: Other Business Activities

Cary Cates is the owner of Cates Tax Advisory; Cates Tax Advisory is a DBA for Cates Financial Planning, LLC. This activity consists of tax preparation and IRS representation and accounts for approximately 10% of his time.

Cary Cates is an Adjunct Professor at University of North Texas. This activity accounts for approximately 5% of his time.

Item 5: Additional Compensation

Cary Cates does not receive any economic benefit from any person, company, or organization, in exchange for providing clients advisory services through Cates FP.

Item 6: Supervision

Cary Cates, as Managing Member and Chief Compliance Officer of Cates FP, is responsible for his own supervision. He will adhere to his firm's policies and procedures at all times. He may be contacted at the phone number on this brochure supplement.

Item 7: Requirements for State Registered Advisers

Cary Cates has NOT been involved in an arbitration, civil proceeding, self-regulatory proceeding, administrative proceeding, or a bankruptcy petition.