

## **Firm Brochure**

(Part 2A of Form ADV)

### **STONEGATE WEALTH MANAGEMENT, LLC**

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This brochure provides information about the qualifications and business practices of STONEGATE WEALTH MANAGEMENT, LLC. If you have any questions about the contents of this brochure, please contact us at: 201-791-0085, or by email at: [stevec@stonegatewealth.com](mailto:stevec@stonegatewealth.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.

Additional information about STONEGATE WEALTH MANAGEMENT, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

August 26, 2011

## Material Changes

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 201-791-0085 or by email at: [stevec@stonegatewealth.com](mailto:stevec@stonegatewealth.com).

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## Advisory Business

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### Firm Description

STONEGATE WEALTH MANAGEMENT, LLC, ("FIRM NAME") was founded in 1993.

STONEGATE WEALTH MANAGEMENT, LLC provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

STONEGATE WEALTH MANAGEMENT, LLC is strictly a fee-only financial planning and investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Investment advice is an integral part of financial planning. In addition, STONEGATE WEALTH MANAGEMENT, LLC advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning, or other issues regarding their financial circumstance.

Investment advice is provided, with the client making the final decision on investment model selection. STONEGATE WEALTH MANAGEMENT, LLC does not act as a custodian of client assets. The client always maintains asset control. STONEGATE WEALTH MANAGEMENT, LLC places trades for clients under a limited power of attorney.

A written evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

**Please Note: It remains the client's responsibility to promptly notify Stonegate Wealth Management if there is ever a change in their financial situation or investment objectives for the purpose of reviewing,**

**evaluating or revising Stonegate's previous recommendations and or services.**

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**Principal Owners**

Stephen Craffen is a 100% stockholder.

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**Types of Advisory Services**

STONEGATE WEALTH MANAGEMENT, LLC provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; furnishes investment advice through consultations; issues periodicals about securities by subscription; issues special reports about securities; and issues, charts, graphs, formulas, or other devices which clients may use to evaluate securities.

On more than an occasional basis, STONEGATE WEALTH MANAGEMENT, LLC furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

STONEGATE WEALTH MANAGEMENT, LLC provides a timing service *in two ways*:

1. We may alter client bond investments based on our perception of the future direction of interest rates. We may lengthen or shorten the duration of clients fixed income investments if we believe interest rates may decrease or increase or remain stable.
2. We rebalance client portfolios on a contingent basis. That is we may sell or purchase assets within a clients portfolio if the representation of an asset it within falls below or exceeds a threshold. At present we use a threshold of 20%. Thus if an asset should represent 10% of a clients portfolio if its representation drops to 8% or rises to 12% we will make trades to restore it to its level as defined in the clients investment policy statement.
3. We do not directly attempt to time price movements in markets.

As of August 26, 2011, STONEGATE WEALTH MANAGEMENT, LLC manages approximately \$235,000,000 in assets for approximately 270 clients. Approximately \$5,000,000 is managed on a discretionary basis, and \$230,000,000 is managed on a non-discretionary basis.

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**Tailored Relationships**

The goals and objectives for each client are documented in our financial planning software or in our client database system. Investment policy statements are created that reflect the stated goals and objective. Clients

may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

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## **Types of Agreements**

The following agreements define the typical client relationships.

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### **Financial Planning Agreement**

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The fee range is \$1,500 to \$10,000 and is NEGOTIABLE. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. One half of the planning fee is paid at the start of the process and one half at completion.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Follow-on implementation work is billed separately at the rate of \$75 to \$350 per hour depending on the personnel involved..

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### **Advisory Service Agreement**

Most clients choose to have STONEGATE WEALTH MANAGEMENT, LLC manage their assets in order to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed, including those of their children. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.



The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. An Advisory Service Agreement includes: cash flow management; insurance review; investment management (including performance reporting); education planning; retirement planning; estate planning; and tax preparation, as well as the implementation of recommendations within each area.

The annual Advisory Service Agreement fee for individuals and families is based on a percentage of the investable assets according to the following schedule:

- 1.25% on the first \$500,000;
- 1.00% on the next \$500,000 (from 500,001 to 5,000,000); and
- 0.90% on the next \$1,000,000 (from 5,000,001 to 6,000,000); and
- 0.80% on the next \$1,000,000 (from 6,000,001 to 7,000,000); and
- 0.70% on the assets above \$7,000,000.

### **Fees are Negotiable**

Fees for new clients are billed quarterly in advance. Some current clients may be billed in arrears.

Stonegate also acts as an advisor for some Defined Contribution (401K) Plans. The plans are charged according to the following fee structure:

Fees for Defined Contribution Plans (Trusts) are as follows:

Plan Assets	Fee% (Per annum)
\$0 to \$500,000	1.00%
Next \$500,000 - \$1,000,000	.75%
Next \$1,000,000 - \$ 5,000,000	.5%
Next \$5,000,000 - \$10,000,000	.25%
Next \$10,000,000 - \$50,000,000	.20%
\$50,000,000 and above	.10% (fee is negotiable).

### **Fees are Negotiable**

The minimum annual fee is \$6250.00 and is *NEGOTIABLE* Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

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### **Retainer Agreement**

In some circumstances, a *Retainer Agreement* is executed in lieu of an *Advisory Service Agreement* when it is more appropriate to work on a fixed-fee basis. The annual fee for a *Retainer Agreement* may vary from \$2,000 to \$10,000 and is *NEGOTIABLE*.

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### **Hourly Planning Engagements**

STONEGATE WEALTH MANAGEMENT, LLC provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$75 to \$350 depending on the personnel involved.

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### **Asset Management**

For the growth portion of client portfolio assets are invested primarily in no-load or low-load mutual funds and exchange-traded funds or exchange traded notes, usually through discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

For the domestic fixed income portion of client portfolios client assets are mainly invested in individual bonds issued by US Banks, Municipalities and the Federal Government or Government Agencies. Bonds are typically laddered with maturities coordinated with a clients cash needs or based on our view regarding the interest rate yield curve.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. STONEGATE WEALTH MANAGEMENT, LLC does not receive any compensation, in any form, from fund or brokerage companies.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Initial public offerings (IPOs) are not available through STONEGATE WEALTH MANAGEMENT, LLC.

Stonegate Wealth Management may purchase structured notes for client accounts. A structured note is generally a financial instrument that combines two elements, a debt security and exposure to an underlying asset or assets. We may also recommend structured notes that do not contain a debt security. A structured note is a note that carry's the counterparty risk of the issuer.

Stonegate may maintain cash positions for defensive purposes from time to time. All cash positions are considered to be under management for calculating the clients advisory fee.

Stonegate has paid the National Association of Personal Financial Advisors (NAPFA) a fee to have it's web site listed on NAPFA's web site. This is a onetime fee and is not dependent on the number of referrals received as a result of the listing. The only restriction regarding the ongoing listing is continued membership with NAPFA.

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### **Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying STONEGATE WEALTH MANAGEMENT, LLC in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, STONEGATE WEALTH MANAGEMENT, LLC will refund any unearned portion of the advance payment.

STONEGATE WEALTH MANAGEMENT, LLC may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, STONEGATE WEALTH MANAGEMENT, LLC will refund any unearned portion of the advance payment.

## **Fees and Compensation**

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### **Description**

STONEGATE WEALTH MANAGEMENT, LLC bases its fees on a percentage of assets under management, hourly charges, and fixed fees.

Some *Retainer Agreements* may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are *NEGOTIABLE*.

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### **Fee Billing**

Investment management fees are billed quarterly, in *ADVANCE*, meaning that we invoice you *BEFORE* the three-month billing period has *BEGUN*.

Payment in full is expected upon invoice presentation. Fees are usually

deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account. (Please note that some existing clients are billed in arrears).

Fees for financial plans are billed 50% in advance, with the balance due upon delivery of the financial plan.

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**Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds and notes. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Stonegate may use firms other than our custodians to purchase fixed income for clients. That is done because those outside firms can help us through their expertise in the markets for fixed income vehicles and enable us to purchase bonds that may not be available through the custodians or may not be available with the same yield or other benefits. We receive no additional compensation from those firms. The custodian may charge the client a fee for this practice which is accomplished as a trade-away or a prime brokerage action. The fee is typically small. We believe the fee is justified by the efficiency with which we can structure client fixed income portfolios by utilizing outside experts.

STONEGATE WEALTH MANAGEMENT, LLC, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

New Advisory Service Agreement fees are calculated on a formula basis and adjusted for complexity of individual situations. *The formula is based on gross income, gross assets and other financial considerations.*

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**Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to STONEGATE WEALTH MANAGEMENT, LLC.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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### **Past Due Accounts and Termination of Agreement**

STONEGATE WEALTH MANAGEMENT, LLC reserves the right to stop work on any account that is more than 30 days overdue. In addition, STONEGATE WEALTH MANAGEMENT, LLC reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in STONEGATE WEALTH MANAGEMENT, LLC's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 15 days.

## **Performance-Based Fees**

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### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

STONEGATE WEALTH MANAGEMENT, LLC does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Types of Clients**

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### **Description**

STONEGATE WEALTH MANAGEMENT, LLC generally provides investment advice to individuals, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

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### **Account Minimums**

The minimum account size is \$500,000 of assets under management, which equates to an annual fee of \$6,250.

When an account falls below \$500,000 in value, the minimum annual fee of \$6,250 is charged.

STONEGATE WEALTH MANAGEMENT, LLC has the discretion to waive the account minimum. Accounts of less than \$500,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$500,000 within a reasonable time. Other exceptions will apply to employees of STONEGATE WEALTH MANAGEMENT, LLC and their relatives, or relatives of existing clients or to anyone else at our discretion.

Clients receiving ongoing asset management services will be assessed a \$6250 minimum annual fee. Clients with assets below the minimum account

size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that STONEGATE WEALTH MANAGEMENT, LLC may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, Zephyr Style Advisor, Charles Schwab & Company's "SchwabLink" service, Fidelity Advisors, and the World Wide Web.

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### **Investment Strategies**

The primary investment strategy used on client accounts is strategic asset allocation with a combination of active managers, index funds and individual bonds. This means that we use actively and passively-managed index and exchange-traded funds and exchange-traded notes as the core investments. Portfolios are globally diversified to control the risk associated with traditional markets. Asset categories may include, large cap, mid-cap and small-cap domestic stocks, international stocks, domestic and foreign real estate (REIT's), Commodities, international and domestic fixed income, and alternative assets.

All clients are placed in one of our model allocations. The models have been developed using variants of modern portfolio theory with major enhancements based on the most current advancements in the analysis of time series and risk modeling.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

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**Risk of Loss**

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.
- **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.
- **Inflation 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.
- **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.
- **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.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Disciplinary Information

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### Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

STONEGATE WEALTH MANAGEMENT, LLC is not registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor.

### Affiliations

STONEGATE WEALTH MANAGEMENT, LLC has arrangements that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships. We are affiliated with three different custodians, Charles Schwab and Co., Fidelity, and TD Ameritrade. Clients may be encouraged to set up their accounts in one of these firms. We use those firms for their custodial and back-office operations.

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

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### Code of Ethics

The employees of STONEGATE WEALTH MANAGEMENT, LLC have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

### Participation or Interest in Client Transactions

STONEGATE WEALTH MANAGEMENT, LLC and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the STONEGATE WEALTH MANAGEMENT, LLC *Compliance Manual*.

### Personal Trading

The Chief Compliance Officer of STONEGATE WEALTH MANAGEMENT, LLC is Stephen Craffen. He reviews all employee trades each quarter. His trades are reviewed by Thomas Geraghty. The personal trading reviews



ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

## Brokerage Practices

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### Selecting Brokerage Firms

STONEGATE WEALTH MANAGEMENT, LLC does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. STONEGATE WEALTH MANAGEMENT, LLC recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

STONEGATE WEALTH MANAGEMENT, LLC recommends discount brokerage firms and trust companies (qualified custodians), such as Charles Schwab and Co., TD Ameritrade, and Fidelity or NATCO.

STONEGATE WEALTH MANAGEMENT, LLC *DOES NOT* receive fees or commissions from any of these arrangements.

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### Best Execution

STONEGATE WEALTH MANAGEMENT, LLC reviews the execution of trades at each custodian each quarter. The review is documented in the STONEGATE WEALTH MANAGEMENT, LLC *Compliance Manual*. Trading fees charged by the custodians is also reviewed on a quarterly basis. STONEGATE WEALTH MANAGEMENT, LLC does not receive any portion of the trading fees.

Please note that:

- i. Stonegate's ability to achieve best execution may be partially or wholly limited by the directed brokerage arrangement since Stonegate may not achieve executions of the nature, quality, speed, or price that it might otherwise achieve if it were not using a directed custodian to execute transactions
- ii. Stonegate will not be able to negotiate or renegotiate commission rates with a clients directed custodian or impact or improve the price or quality of the execution services provided
- iii. The client will not be able to participate in volume discount commission rates that may be negotiated by Stonegate with custodians Stonegate uses to effect trades for the advisor's other clients and
- iv. the client may forgo other benefits from savings on execution costs that may otherwise be obtained (aggregating client orders).

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**Soft Dollars**

Stonegate may recommend/require that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), Fidelity, or TD Ameritrade FINRA registered broker-dealers, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Stonegate may recommend that clients establish accounts at one of these custodians, it is the client's decision to custody assets with them. Stonegate is independently owned and operated and not affiliated with any of them.

These custodians provide Stonegate with access to institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million or more of the advisor's clients' assets are maintained in accounts at the custodian. These services are not contingent upon Stonegate committing to the custodian any specific amount of business (assets in custody or trading commissions). The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Stonegate client accounts maintained in their custody, the custodians generally do not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into the accounts.

The custodians also make available to Stonegate other products and services that benefit Stonegate but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Stonegate's accounts.

Schwab's products and services in particular assist Stonegate in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Stonegate's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Advisor Services also offers other services intended to help Stonegate manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Stonegate. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Stonegate. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment of Stonegate personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, Stonegate may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

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**Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

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**Trade Errors**

Stonegate Wealth Management will reimburse accounts for losses resulting from Stonegate's trade errors. Accounts will not be credited for errors resulting in market gains. The gains and losses are reconciled within Stonegate's custodian firm account and Stonegate retains the net gains and losses.

## **Review of Accounts**

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**Periodic Reviews**

Account reviews are performed quarterly by Stephen Craffen, Chief Investment Officer, Craig Marson, Thomas Geraghty, or Cary Carbonaro. Account reviews are performed more frequently when market conditions dictate.

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**Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### **Regular Reports**

Account reviewers are members of the firm's Investment Committee. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Clients receive periodic communications on at least an annual basis.

*Advisory Service Agreement* clients, *Investment Management* clients, and *Retainer Agreement* clients receive written quarterly updates. The written updates may include a net worth statement, portfolio statement, and a capital gain/loss report.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

STONEGATE WEALTH MANAGEMENT, LLC has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. Stonegate Wealth Management may compensate for client referrals. All solicitors' agreements are in compliance with the Investment Advisors Act of 1940 Section 275.206(4)-3. In addition, all applicable federal and state laws will also be observed. All clients procured by solicitors will be given full written disclosures describing the terms and fee arrangements between the advisor and the solicitor prior to or at the time of entering into the advisory agreement.

Please note that associates may be paid a percentage of asset management fees received from clients they refer to us or contribute work towards. This does not increase the fee charged to the client.

STONEGATE WEALTH MANAGEMENT, LLC does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

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### **Other Compensation**

No other compensation is received.

## **Custody**

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### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly.

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### **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by STONEGATE WEALTH MANAGEMENT, LLC.

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### **Net Worth Statements**

Clients are frequently provided net worth statements and net worth graphs that are generated from our financial planning software. Net worth statements contain approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

STONEGATE WEALTH MANAGEMENT, LLC accepts discretionary authority to manage securities accounts on behalf of clients. STONEGATE WEALTH MANAGEMENT, LLC has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, STONEGATE WEALTH MANAGEMENT, LLC consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the commission rates paid to the custodian. STONEGATE WEALTH MANAGEMENT, LLC does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

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### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

## **Voting Client Securities**

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### **Proxy Votes**

Unless the client designates otherwise, STONEGATE WEALTH MANAGEMENT, LLC votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. A copy of STONEGATE WEALTH MANAGEMENT, LLC's proxy voting policy is available upon request. Clients cannot direct our vote in a particular

solicitation. Records of our vote can be provided on request. We maintain such records for several years.

## **Financial Information**

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### **Financial Condition**

STONEGATE WEALTH MANAGEMENT, LLC does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because STONEGATE WEALTH MANAGEMENT, LLC does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

Stonegate does not solicit fees of more than \$1,200 per client six months or more in advance.

## **Business Continuity Plan**

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### **General**

STONEGATE WEALTH MANAGEMENT, LLC has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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### **Loss of Key Personnel**

STONEGATE WEALTH MANAGEMENT, LLC has affiliations with other financial advisory firms to support STONEGATE WEALTH MANAGEMENT, LLC in the event of a key advisor's serious disability or death.

# Information Security Program

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## Information Security

STONEGATE WEALTH MANAGEMENT, LLC maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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## Privacy Notice

STONEGATE WEALTH MANAGEMENT, LLC is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

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**Education and Business Standards**

STONEGATE WEALTH MANAGEMENT, LLC requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

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**Professional Certifications**

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planner (CFP): Certified Financial Planners are licensed by the CFP Board to use the CFP mark. CFP certification requirements:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

Enrolled Agent (EA): Enrolled Agents are enrolled by the Internal Revenue Service and authorized to use the EA designation. EA enrollment requirements:



- Successful completion of the three-part IRS Special Enrollment Examination (SEE), or completion of five years of employment by the IRS in a position which regularly interpreted and applied the tax code and its regulations.
- Successfully pass the background check conducted by the IRS.

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**Stephen C. Craffen, BE, MBA, MS, CFA, ChFC, CLU, CDFA**

**Educational Background:**

- Date of birth: 12/14/1955
- Stevens Institute of Tech 1973-1977 Bachelors Engineering
- Stevens Institute of Tech 1977-1985 Various graduate courses in engineering and physics
- Rutgers Univ. 1979-1983 MBA, Finance & Investments
- American College 1989-1992 ChFC
- American College 1991-1992 CLU
- Denver College 1993-1998 MS, Financial Planning
- Awarded CFA Charter 2003
- Awarded CDFA 2008

**Business Experience:**

- Stonegate Wealth Mgmt (formerly) Baron Financial Group 1992-present

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

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**Thomas J. Geraghty CFP, CPA/PFS, CDFA, CRPC**

**Educational Background:**

- Date of birth: 10/07/1948
- Seton Hall 1966-1970 BA, Accounting
- Fairleigh Dickinson 1998- 2000 CFP Program

**Business Experience:**

- Stonegate Wealth Mgmt (formerly) Baron Financial Group 2005-Present
- AEPG 1998-2005

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

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**Craig Marson JD, CPA****Educational Background:**

- Date of Birth: 9/16/1960
- SUNY @ Albany 1978-1982 BS Accounting
- St. John's University School of Law 1982-1985 Juris Doctor
- New York State Bar – Admitted 1986
- New York State Certified Public Accountant – 1991
- Series 65 – 2004

**Business Experience:**

- |                                    |              |
|------------------------------------|--------------|
| • Stonegate Wealth Mgmt            | 2007-Present |
| • Gerstein Fisher & Associates     | 2005-2007    |
| • American Economic Planning Group | 2003-2005    |
| • Sontag Advisory LLC              | 1997-2003    |

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

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**Cary Carbonaro MBA, CFP****Educational Background:**

- Date of birth: 2/6/1968
- State University at NY at Cortland BA – History 1986 – 1990
- University of North London London, England 1/1989-6/1989
- Long Island University, CW Post Campus
- Greenvale, NY MBA 5/1995
- CFP Certificate 5/2003

**Business Experience:**

- |                             |              |
|-----------------------------|--------------|
| • Stonegate Wealth Mgmt     | 2010-Present |
| • Family Financial Research | 2001-2009    |

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

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**Diane Love Spearin, CERTIFICATIONS****Educational Background:**

- Date of birth: 07/11/1960
- College of St. Catherine, St. Paul, MN BA – Communication 2002
- CFP Certificate 2/2004

Business Experience:

- Stonegate Wealth Mgmt 03/2011 - Present
- Financial Concepts, Inc. 2008-2010
- Ameriprise Financial 2007-2008
- UBS Financial Services 2005-2007
- Stratford Fidelity 1987 – 2005

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Diane Spearin is supervised by Thomas Geraghty, Senior Wealth Manager. He reviews Diane Spearin's work through frequent office interactions as well as remote interactions. He also reviews Diane Spearin's activities through our client relationship management system.

SUPERVISOR'S contact information:

Phone: 908-347-3032

E-Mail: tomg@stonegatewealth.com