

# Wrap Fee Brochure

March 20, 2013

## **Marks Group Wealth Management, Inc.**

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This wrap fee brochure provides information about the qualifications and business practices of Marks Group Wealth Management, Inc. (hereinafter "MGWM"). If you have any questions about the contents of this brochure, please contact please contact Bennett E. Marks at (952) 582-6100. 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 Marks Group Wealth Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Marks Group Wealth Management, Inc. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This section of the wrap fee brochure discusses only the material changes that have occurred since MGWM's last annual update, dated March 14, 2012, of the wrap fee brochure. MGWM does not have any material changes to disclose in this Item.

## Item 3. Table of Contents

Item 1. Cover Page .....	i
Item 2. Material Changes .....	ii
Item 3. Table of Contents.....	iii
Item 4. Services, Fees, and Compensation .....	4
Item 5. Account Requirements and Types of Clients.....	5
Item 6. Portfolio Manager Selection and Evaluation .....	6
Item 7. Client Information Provided to Portfolio Managers .....	10
Item 8. Client Contact with Portfolio Managers.....	11
Item 9. Additional Information .....	11

## Item 4. Services, Fees, and Compensation

The Marks Group Wealth Management Wrap Program (the “Program”) is an investment advisory program sponsored by MGWM. The Program provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges.

To join the Program, a client must:

- (1) Complete an investor profile that describes the client’s financial needs, investment objectives, time horizon, and risk tolerance, as well as any other factors relevant to the client’s specific financial situation and any other supporting documentation the Program requires;
- (2) Complete the investment advisory wrap fee agreement (the “*Agreement*”) with MGWM;
- (3) Complete a new account agreement with LPL Financial (“*LPL*”) or another broker dealer MGWM approves for participation in the Program (“*Financial Institution*”); and
- (4) Open a securities brokerage account with the *Financial Institution* and deposit those assets designated for participation in the Program into the account.

After an analysis of any information provided by the client to MGWM, MGWM assists the client in developing an appropriate investment strategy for the assets in their accounts. Thereafter, all clients are encouraged to discuss their needs, goals, and objectives with MGWM and to keep MGWM informed of any changes thereto. MGWM contacts ongoing clients at least annually to review its previous services and/or recommendations and to determine whether changes should be made to their investment strategy.

### Management of Your Portfolio

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All clients in the Program grant MGWM discretionary authority to buy, sell, and otherwise trade in the type of securities described in Item 6, below for their accounts and to liquidate previously-purchased securities that the client has transferred to their Accounts. Assets designated for a particular investment strategy (each a “Portfolio”) are managed by one of MGWM’s investment professionals.

MGWM recommends that certain clients authorize the active discretionary management of a portion of the assets by and/or among one or more independent investment managers (hereafter “*Independent Managers*”) to implement a particular investment strategy.

The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between MGWM or the client and the designated *Independent Managers*. MGWM continues to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which MGWM receives an annual advisory fee based upon a percentage of the market value of the assets managed by the designated *Independent Managers*. Factors that MGWM considers in recommending *Independent Managers* include the client’s stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. In

addition to MGWM's written disclosure brochure and/or wrap fee brochure, the client receives the written disclosure brochure of the designated *Independent Managers*.

## Fees for the Program

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Clients in the Program pay a single annualized fee for participation in the Program (the "*Program Fee*"). The *Program Fee* is prorated and charged quarterly in advance, based upon the market value of the assets being managed by MGWM under the Program on the last day of the previous quarter. The *Program Fee* varies (between 0.25% and 2.00%) depending upon the market value of the assets under management

MGWM, in its sole discretion, may negotiate to charge a lesser *Program Fee* based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## Fee Comparison

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Under the Program, clients receive both investment advisory services and the execution of transactions for a single, combined annualized fee, the *Program Fee*. Participation in the Program may cost the client more or less than purchasing such services separately. The number of transactions made in the client's accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. The *Program Fee* may be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

## Other Charges

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Clients may incur certain charges imposed by third parties in addition to the *Program Fee* such as fees charged by *Independent Managers* (as defined below), charges imposed directly by a mutual fund or exchange-traded fund in the account, which is disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, custodial fees and other fees and taxes on brokerage accounts or securities transactions.

## Item 5. Account Requirements and Types of Clients

The Program participants include individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

## Minimum Account Size

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As a condition for participating in the Program, MGWM generally imposes a minimum portfolio size of \$250,000. MGWM, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. MGWM only accepts clients with less than the minimum portfolio size if, in the sole opinion of MGWM, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. MGWM may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than MGWM. In such instances, MGWM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Item 6. Portfolio Manager Selection and Evaluation

### Advisory Business

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MGWM acts as the sponsor and portfolio manager to the Program. Certain wrap programs involve the services of multiple parties in these capacities, which may involve additional conflicts of interest that the sponsor would be required to disclose in this section. MGWM has no disclosures to make under this section.

MGWM provides financial planning and investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. Our investment strategy is based on 3 principles:

#### Transparency

What you see is what you get. MGWM's five model portfolios invest in stocks, bonds, exchange-traded funds (ETFs) and mutual funds. Clients' investments are held in separately managed accounts where the "moving parts" of any transaction can be seen. MGWM's management fees are fully disclosed and all-inclusive. The firm regularly updates and communicates the biases and outlook which drive our investment decisions.

#### Liquidity

MGWM invests only in securities that have daily liquidity and pricing. We do not invest clients' money in hedge funds, structured notes, private investments or other less liquid or less transparent investments.

## Proximity

The more middlemen between you and your money, the higher the probability of an unanticipated outcome. At MGWM, you speak directly to the decision-makers who know what you own and why you own it.

Prior to engaging MGWM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with MGWM setting forth the terms and conditions under which MGWM renders its services (collectively the “*Agreement*”).

MGWM has been in business since November 2008. Bennett E. Marks and John C. Feste are the principal owners of MGWM. As of February 4, 2013, MGWM has \$289,133,976 of assets under management, of which \$284,758,682 is managed on a discretionary basis and \$4,375,294 is managed on a non-discretionary basis.

This Disclosure Brochure describes the business of MGWM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of MGWM’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on MGWM’s behalf and is subject to MGWM’s supervision or control.

## **Performance-Based Fees and Side-by-Side Management**

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MGWM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

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

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MGWM manages five model portfolios. The common elements across all five disciplines is that the firm only invests in securities that have daily liquidity and pricing. Our *investment strategies* are summarized below:

**Core Equity:** This strategy invests in common stocks that trade on a U.S. stock exchange. There are typically about 35 securities in the portfolio at any particular time. This strategy is an all cap core equity investment which consists of growth and value stocks having small, mid-size and large market capitalizations.

**International Equity ETF:** This strategy consists of primarily single nation, regional or sector-specific ETFs. We typically hold 10 ETFs in this strategy at any particular time. In addition, the strategy might purchase inverse ETFs or ETFs linked to a specific currency.

**Alternative Strategy:** The objective of this strategy is to provide returns that are not directly correlated to the equity or fixed income markets. The portfolio consists of ETFs linked to commodity, currency, interest

rate or equity indices, and may include leveraged and/or inverse ETFs. This strategy may also purchase publicly traded REITs, MLPs, open-end or closed-end mutual funds and individual common stocks.

**Fixed Income:** This portfolio may hold investments in individual investment quality issues and/or open-end and closed-end mutual funds and ETFs that primarily invest in fixed income securities.

**Mutual Fund:** This strategy of open-ended mutual funds that invest in a variety of asset classes and equity styles. It has a balanced investment objective with exposure to both domestic and international equities and fixed income securities.

### Methods of Analysis

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MGWM's primarily employs fundamental and technical methods of investment analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. MGWM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that MGWM will be able to accurately predict such a reoccurrence.

In addition, when selecting an Independent Manager for a client, MGWM will perform due diligence in selecting the Independent Manager, which will include the review of the Independent Manager's disclosure statement and other material supplied by the Independent Manager and/or third parties concerning the Independent Manager's investment strategies, past performance and risk results to the extent possible.

### Risks of Loss

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#### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.



Shares of open-end mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per-share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a closed-end mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Market Risks*

All securities, particularly individual equity and debt securities, are subject to market volatility, economic factors and certain other market risks. The success of an investment may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that MGWM will be able to predict those price movements accurately.

### *Use of Independent Managers*

MGWM may recommend the use of *Independent Managers* for certain clients. MGWM will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, MGWM does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *Management Through Similarly Managed Accounts*

MGWM primarily manages client portfolios among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, MGWM buys, sells, exchanges and/or transfers securities based upon the *investment strategy*.

MGWM's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to MGWM's clients may be limited. For example, various mutual funds may limit the ability of MGWM to buy, sell, exchange or transfer securities consistent with its *investment strategy*. As further discussed in response to Item 12B (below), MGWM allocates investment opportunities among its clients on a fair and equitable basis.

### *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by MGWM in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to MGWM will not be increased.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Voting of Client Securities**

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MGWM is required to disclose if it accepts authority to vote client securities. MGWM does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

## **Item 7. Client Information Provided to Portfolio Managers**

MGWM acts as the sponsor and portfolio manager to the Program. Certain wrap programs involve the services of multiple parties in these capacities. In those circumstances, the sponsor is required to disclose how and what type of information about client that it provides to portfolio managers. MGWM has no disclosures to make under this section.

## Item 8. Client Contact with Portfolio Managers

There are no restrictions on a clients' ability to contact and consult with MGWM regarding the *Program* or their account.

Clients may contact *Independent Managers* through MGWM by providing MGWM with written request and identification of the questions or issues to be discussed with the *Independent Managers*. After receiving the client's written request MGWM, at its sole discretion, contacts the *Independent Managers* for the client or arranges for the *Independent Managers* and the client to communicate directly.

## Item 9. Additional Information

### Disciplinary Information

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MGWM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. MGWM does not have any required disclosures to this Item.

### Other Financial Industry Activities and Affiliations

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MGWM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Such relationships and arrangements are described below.

### Registered Representatives of Broker Dealer

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As discussed above in Item 5, certain of MGWM's *Supervised Persons* are registered representatives of LPL.

### Receipt of Insurance Commission

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Certain of MGWM's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While MGWM does not sell such insurance products to its investment advisory clients, MGWM does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that MGWM recommends the purchase of insurance products where MGWM's *Supervised Persons* receive insurance commissions or other additional compensation.

### Fees from Independent Managers

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As discussed above, MGWM recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Managers*. In certain

circumstances MGWM's compensation is included in the advisory fee charged by such *Independent Managers*. There may be a conflict of interest to choose such *Independent Managers*.

### Code of Ethics

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MGWM and persons associated with MGWM ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with MGWM's policies and procedures.

MGWM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by MGWM or any of its associated persons. The *Code of Ethics* also requires that certain of MGWM's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

As specifically permitted in MGWM's *Code of Ethics*, its *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of MGWM's clients. However, when MGWM is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when MGWM is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact MGWM to request a copy of its *Code of Ethics*.

### Review of Accounts and General Reports

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MGWM monitors assets as part of an ongoing process while account reviews are conducted regularly.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* for assets.

## **Client Referrals and Other Compensation**

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If a client is introduced to MGWM by either an unaffiliated or an affiliated solicitor, MGWM may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from MGWM's investment management fee, and does not result in any additional charge to the client. If the client is introduced to MGWM by an unaffiliated solicitor, the solicitor provides the client with a copy of MGWM's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of MGWM discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of MGWM's written disclosure brochure at the time of the solicitation.

## **Financial Information**

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MGWM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of providing its advisory or financial planning services. In addition, MGWM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. MGWM has no disclosures pursuant to this Item

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