

# **PRIVATE WEALTH MANAGEMENT GROUP, LLC**

512 Executive Drive  
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A SEC Registered Advisory Firm<sup>1</sup>

## **FIRM BROCHURE, JANUARY 2013**

This brochure provides information about the qualifications and business practices of Private Wealth Management Group, LLC, (“Private Wealth”). If you have any questions about the content of this brochure, please contact us at (609) 921-7002 and/or [www.myprivatewealth.com](http://www.myprivatewealth.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 Private Wealth also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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<sup>1</sup> SEC or State registration does not and should not imply any certain level of skill or training.

## **MATERIAL CHANGES**

Private Wealth is the successor entity to Private Wealth Management Group, Inc. This transition was effected to allow the founding principal, William Dunn, to retire from active management of the advisory firm. In all other respects, the advisory services and personnel for Private Wealth have not changed since the filing of Private Wealth Management Group, Inc's Annual ADV Disclosure Brochure in March 2012.

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## **ADVISORY BUSINESS**

Private Wealth and its successor firm were founded in 1998. Private Wealth is a Fee-Only<sup>TM</sup>, comprehensive financial planning firm. There are three CERTIFIED FINANCIAL PLANNER<sup>TM</sup> practitioners in the firm, all of whom are members of the prestigious National Association of Personal Financial Advisors (NAPFA) and the Financial Planning Association (FPA). Private Wealth is primarily owned and managed by its managing principal, Robert Dunn.

### **Financial Planning:**

Private Wealth provides its clients with financial planning and consultation services (e.g., review of goals and objectives, analysis and recommendations for cash flow planning, asset allocation/investment planning, income tax planning, insurance planning, estate planning, retirement planning, education planning, real estate/mortgage planning, etc.).

### **Investment Management Services:**

Private Wealth provides discretionary investment management services on a fee-only basis. Private Wealth primarily allocates client's investment assets among: (1) the various mutual funds, mutual fund asset allocation programs, and separate account management programs offered through *Charles Schwab* and and/or (2) among various mutual funds, and/or independent manager programs offered by and/or obtained through *SEI*.

Private Wealth Management recognizes there is no "perfect" investment strategy. However, our continuous investment research has led us to our current investment philosophy. We utilize the following statements as a backbone for constructing portfolios for our clients.

1. Passive management is preferable to active management, especially in the core portion of a portfolio. Find the most efficient investment method to increase the probability/likelihood of a client meeting their financial objectives
2. We focus on the factors we can control such as asset allocation, expenses, and style purity.
3. Manage the total portfolio for the highest after tax return not the highest pretax return.
4. Our stock investments will be high risk because of their overweighting towards small cap and value type stocks. Our bond investments will trend towards high quality and low duration to reduce the overall risk of the portfolio. We will include alternative asset classes such as global real estate and commodities in our portfolios to achieve as much diversification as possible.

Our first step in the investment process is to decide on asset allocation that is appropriate to meet the client's financial objectives. Three primary factors go into the allocation decision; needs and circumstances, risk tolerance and time horizon. Our financial planning process uncovers and clarifies the needs and circumstances. The next step is to get an understanding of a client's risk tolerance. While there are no guarantees we discuss past investment experience and also request that each client complete the FinaMetrica risk tolerance questionnaire. Their score provides a good approximation of the client's risk tolerance. We combine their risk tolerance score with our knowledge of their goals, time horizon, and their past experience with the financial markets

to formulate the most appropriate asset allocation. This asset allocation is documented and agreed upon with the client when we present to them their investment policy statement.

We typically implement our investment strategies utilizing the Charles Schwab Institutional platform. When possible we will invest the asset allocation model across multiple accounts for tax and expense efficiency. We will rebalance accounts as needed according to the investment policy statement.

*SEI* is a global asset management company and sponsor of its own proprietary mutual funds. *SEI* Trust Company, a subsidiary of *SEI*, serves as custodian for each *SEI* account, and provides each client with reporting services, including consolidated monthly statements, quarterly performance reports, and year-end tax reports. *SEI* enables investment advisers such as the Private Wealth to offer its clients mutual fund asset allocation models, underlying individual mutual funds, separate account management services and investment management programs (i.e., tax managed investment programs, etc.) that are not otherwise available to the general public. As part of its overall investment management program, *SEI* offers quarterly rebalancing of each client's investment assets for the purpose of maintaining the assets in accordance with the client's previously designated percentage (%) asset allocations for the *SEI* account. If a client desires automatic account rebalancing, he/she/they/it must first provide such authorization directly to Private Wealth, who will then advise *SEI* accordingly. Private Wealth obtains many no-load mutual funds without transaction charges and other mutual funds at nominal transaction charges.

With respect to its non-discretionary asset management services, Private Wealth generally maintains ongoing responsibility to make recommendations, based upon the needs of the client, as to the securities the account may purchase or sell and, if such recommendation is accepted by the client, Private Wealth is responsible for arranging or effecting the purchase or sale.

#### **Other Terms & Conditions:**

Prior to engaging Private Wealth to provide any investment management or financial planning services, the client will be required to enter into a formal *Advisory Agreement* setting forth the terms and conditions under which Private Wealth shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian. Both Private Wealth's *Investment Advisory Agreement* and the custodial/clearing agreement authorize the custodian to debit the account for the amount of the Private Wealth's investment advisory fee and to directly remit that management fee to Private Wealth. The formal *Advisory Agreement* between Private Wealth and the client will continue in effect until terminated by either party. An advisory client will have a period of five (5) business days from the date of signing this agreement to unconditionally rescind the agreement and receive a full refund of all fees. This Agreement will continue in effect until terminated by either party with 30 days written notice to the other (email notice will not suffice), which written notice must be signed by the terminating party. In the event the client terminates Private Wealth's services, the balance of any unearned fee, if any, shall be refunded to the client.

## **FEES AND COMPENSATION**

### **Financial Planning Engagement:**

Private Wealth's financial planning fees are negotiable, but generally range from \$1,500 to \$10,000 on a fixed fee basis and \$275 on an hourly rate basis, depending upon the level and scope of the services required. Prior to engaging Private Wealth to provide financial planning and/or consulting services, the client will generally be required to enter into a *Financial Planning and Consulting Agreement* with Private Wealth setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Private Wealth commencing services.

### **Investment Management Engagement:**

Private Wealth's investment management fee schedule ("Advisory Fees") for accounts managed by Private Wealth is based on a percentage of assets (generally net of any debit balances) and is set forth below. The Advisory Fees represent the highest fee that may be charged absent special circumstances. The Advisory Fee charged shall vary (between 0.50% and 1.00%) depending upon the market value of assets under management.

Private Wealth's Advisory Fees shall also be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Private Wealth's actual fees may be negotiated and a client may pay more or less than similar clients depending on the particular circumstances of the client, which may include considerations related to size of the client's account, additional and/or differing levels of service or as negotiated. Clients that negotiate fees may end up paying a higher fee than that set forth in the fee schedules above as a result of fluctuations in the client's assets under management and/or account performance.

Private Wealth will generally recommend a broker-dealer/custodian for client's investment management assets. In addition to the investment management fee, the client may incur brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual securities transactions). In addition, the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Client may also incur additional investment management fees assessed by independent managers in Private Wealth's Separate Independent Manager Program.

## **PERFORMANCE-BASED FEES and SIDE-BY-SIDE MANAGEMENT**

Private Wealth does not charge performance based fees.

## **TYPES OF CLIENTS**

Private Wealth provides investment advisory services to the following clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates, Charitable Organizations;
- Corporations
- Pension Plans & 401(k)

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Private Wealth utilizes a top down approach to investing; we first begin with deciding upon an overriding asset allocation. The first step is to have all clients complete the FinaMetrica risk tolerance questionnaire. Their score provides a good approximation of the client's risk tolerance. We combine their risk tolerance score with our knowledge of their goals, time horizon, and their past experience with the financial markets to formulate the most appropriate asset allocation. This asset allocation is documented and agreed upon with the client when we present to them their investment policy statement.

We have ranges for each asset class to allow for some flexibility as we transition a clients current portfolio into one which uses our investment methodology. When setting up our exposure to equity, we try to mimic the global stock market from a capitalization perspective. We also employ our belief towards overweighting small cap and value stocks.

In our core equity we invest roughly 2/3<sup>rd</sup>s domestic and 1/3<sup>rd</sup> foreign. In our satellite equity holdings; we have global real estate ranges from 4% - 12% and commodities ranges from 4% - 6% of the overall portfolio. On the bond side of the equation, we primarily use globally hedged short-term bonds as a core holding with a portion allocated towards multi-sector bonds. This exposure ranges from 3% - 16% in our portfolios. All bond funds should have an average credit quality that is investment grade. After the sub-asset allocations are determined, we make recommendations on asset location. We will evaluate all of the current holdings within our client portfolios by applying our proprietary screens. While our screens vary by asset class, there are certain characteristics that we look for in all funds. Common characteristics are listed below.

Private Wealth does not guarantee the future performance of any account or any specific level of performance, the success of any investment decision or strategy that Private Wealth may use, or the success of Private Wealth's overall investment management. All investment decisions are subject to various markets, currency, economic, political, and business risks, and that those investment decisions will not always be profitable. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Private Wealth if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Private Wealth's previous recommendations and/or services.

### **DISCIPLINARY INFORMATION**

Private Wealth and its personnel **have not been** convicted, pled guilty or nolo contendere (“no contest”), been named, charged or been the subject of any order or judgment by any court of competent jurisdictions, SEC or any Self Regulatory Organization (e.g., FINRA) for the any of the following offenses:

- investments or investment related business;
- fraud, false statements or omissions;
- violation of any investment related statute or regulation or SRO rules;
- wrongful taking of property, bribery, perjury, forgery, counterfeiting
- extortion or conspiracy to commit any of these offenses.

In addition, Private Wealth and its personnel **are not** the subject of any pending matters in connection with any of the above-identified offenses.

### **OTHER FINANCIAL INDUSTRY AFFILIATIONS**

Private Wealth is not affiliated with any other financial institution.

### **CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Private Wealth or related persons may own an interest in, or buy and sell for their own account, the same securities that may also be held, purchased or sold in client accounts. In all cases, clients’ orders are given priority. In no case shall the adviser or associate receive a better price or more favorable circumstance than a client. In some cases the adviser may buy or sell a specific security for their own account, which the adviser does not consider appropriate for client accounts.

Private Wealth has implemented an investment policy relative to personal securities transactions. This investment policy is part of Private Wealth’s overall Code of Ethics which serves to establish a standard of business conduct for all of Private Wealth’s Associated Persons that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Private Wealth also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Private Wealth or any person associated with Private Wealth.

Private Wealth has adopted procedures to implement the firm’s policy on personal securities transactions and reviews to monitor and ensure the firm’s policy is observed, implemented properly and amended or updated, as appropriate.



## **BROKERAGE PRACTICES**

### **1. Research and Other Soft Dollar Benefits:**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Private Wealth may receive from a broker-dealer/custodian (or a mutual fund company), without cost (and/or at a discount) support services and/or products, certain of which assist Private Wealth to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Private Wealth may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Private Wealth in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received assist Private Wealth in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Private Wealth to manage and further develop its business enterprise.

Private Wealth's clients do not pay more for investment transactions effected and/or assets maintained at a particular broker-dealer/custodian as a result of this arrangement. There is no corresponding commitment made by Private Wealth to any particular broker-dealer/custodian or to any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

### **2. Brokerage for Client Referrals:**

Private Wealth does not receive client referrals from any broker-dealer custodian.

### **3. Directed Brokerage:**

The client may direct Private Wealth to use a particular broker-dealer (subject to Private Wealth's right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and Private Wealth will be unable to seek better execution services or prices from other broker-dealers or be able to "bunch" the client's transactions with orders for other client's accounts managed by Private Wealth. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Private Wealth seeks to execute orders for its clients fairly and equitably. Private Wealth follows written procedures pursuant to which it may, and to the extent consistent with Best Execution, combine purchase or sale orders for the same security for multiple clients (sometimes called “*bunching*”) so that they can be executed at the same time. The procedures for bunching trades may differ depending on the particular strategy or type of investment. Private Wealth is not required to bunch or aggregate orders if it determines that bunching or aggregating is not practical.

When client orders are bunched by Private Wealth, the order will be placed with the broker-dealer custodian for execution. When a bunched order is completely filled, Private Wealth generally will allocate the securities purchased or proceeds of sale among participating accounts based on the purchase or sale order. Adjustments or changes may be made by Private Wealth under certain circumstances, such as to avoid odd lots or excessively small allocations. If the bunched order is filled at different prices, through multiple trades, generally all such participating accounts will receive the average price. When a bunched order is partially filled, Private Wealth’s procedures provide that the securities are to be allocated in a manner deemed fair and equitable to clients.

### **REVIEW OF ACCOUNTS**

Account reviews are conducted on an ongoing basis by Private Wealth’s principals, Robert Dunn and/or Ryan Vogel. All investment management clients are required to discuss their investment objectives, needs and goals and to keep Private Wealth informed of any changes. All clients are encouraged to meet at least annually with Private Wealth to comprehensively review financial planning issues, including investment objectives and performance

### **CLIENT REFERRALS AND OTHER COMPENSATION**

Private Wealth does not receive any economic benefit from any non clients in connection with the advisory services it provides to its clients. Private Wealth does not have any contractual engagement with any solicitors or pay any compensation for the receipt of client referrals.

### **CUSTODY**

Private Wealth does not maintain custody of client assets. All client assets are custodied with nationally recognized, SEC registered and FINRA member broker-dealer/custodians. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian of the client accounts. Private Wealth provides a quarterly report summarizing account activity, positions and performance.

## **INVESTMENT DISCRETION**

Private Wealth provides advisory services on a discretionary and non-discretionary basis. As such, prior to engaging Private Wealth to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Private Wealth setting forth the terms and conditions which under which Private Wealth shall manage client's assets.

## **VOTING CLIENT SECURITIES**

Private Wealth does not vote client proxies. Private Wealth's clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Private Wealth and the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

With respect to shareholder class action litigation and similar matters, Private Wealth generally will not make any filings in connection with any shareholder class action lawsuits involving securities currently or previously held in clients' accounts. Private Wealth recommends that its clients promptly review these materials, as they identify important deadlines and may require action in the client's part. Private Wealth will not be required to notify third party custodians or clients who utilize third party custodians of shareholder class action lawsuits and similar matters.

## **FINANCIAL INFORMATION**

Based upon Private Wealth's business practices, use of a qualified custodian and advisory fee procedures, the SEC does not require the disclosure of financial information. Please be advised that there are no known financial conditions that would impair Private Wealth's ability to meet contractual commitments to clients.