



SFG Investment Advisors, Inc.

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March 8, 2017

This Brochure provides information about the qualifications and business practices of SFG Investment Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at 215-345-5601 or [kelly.groff@sfgadvisors.com](mailto:kelly.groff@sfgadvisors.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

SFG Investment Advisors, Inc. is a registered investment adviser domiciled in the Commonwealth of Pennsylvania. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about SFG Advisors is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

This Brochure, dated March 8, 2017, is an update from our previous brochure dated June 1, 2016. Material changes made to this brochure include the following:

- Item 4 was updated to reflect regulatory assets under management as of December 31, 2016.

Our complete Brochure may be requested by contacting Kelly Groff, Chief Compliance Officer, at 215-345-5601 or [kelly.groff@sfgadvisors.com](mailto:kelly.groff@sfgadvisors.com). Our Brochure is also available free of charge on our web site, at [www.sfgadvisors.com](http://www.sfgadvisors.com).

Additional information about SFG Investment Advisors, Inc. is available by accessing the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with SFG Advisors who are registered, or are required to be registered, as investment adviser representatives of the firm.

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#### **Item 4. Advisory Business**

SFG Investment Advisors, Inc. (“SFG”) is a registered investment adviser that was founded in 1996. The principal owner of the firm is Charles F. Steege, President, and the firm’s main office is located in Doylestown, Pennsylvania.

SFG offers both financial planning and asset management services to its clients for a fee. The two services are offered separately to clients but serve to provide one purpose, the overall wellbeing of a client’s financial situation to achieve his or her financial goals.

#### **Executive Planning Services**

In order to provide clients with single-source, conflict-free services, SFG offers the Executive Planning Services program. The Executive Planning Services program encompasses, as contracted, all planning and reporting in areas such as executive stock-based compensation planning (stock options, phantom stock, performance awards, stock appreciation rights, executive stock purchase plans (ESPP) & restricted stock), executive non-qualified deferred compensation planning, annual tax planning, estate planning, charitable planning, retirement planning and annual monitoring, education planning and annual monitoring, risk management, cash flow planning and periodic monitoring, investment asset allocation, investment planning, asset management services and quarterly performance monitoring, and periodic meetings, reviews and consultations in respective areas. SFG provides these Executive Planning Services on either a discretionary or non-discretionary basis, at the sole decision of the client.

#### **Financial Independence Planning Services**

For executives who have reached a stage in their professional career where they no longer need the comprehensive services offered under the Executive Planning Services, SFG offers the Financial Independence Planning Services program. The Financial Independence Planning Services program is designed to offer all of the services of the Executive Planning Services described above, with the exception of executive stock-based compensation planning (stock options, phantom stock, performance awards, stock appreciation rights, employee stock purchase plans (ESPP) & restricted stock) and executive non-qualified deferred compensation planning. All other services described above are included in the Financial Independence Planning Services program, which is offered on either a discretionary or non-discretionary basis.

#### **Navigate Financial Planning Services**

SFG offers personal financial planning services specifically geared towards clients who are new to the financial planning process or are just beginning wealth accumulation, and who may not require the extensive planning services offered in SFG’s other service offerings

(Executive Planning Services and Financial Independence Planning Services). These Navigate Financial Planning Services may include (as applicable) budgeting and savings techniques, student debt payoff analysis, in-depth review of employee benefits, job transition analysis, insurance review and needs analysis, and investment education and planning. Following the development of a formalized plan, clients are offered the opportunity for on-going investment advice and planning on a retainer basis. If a client desires asset management services as part of this program, they will execute a discretionary investment management services agreement with Betterment, LLC.

### **Financial Planning Services**

SFG also offers clients personal financial planning services in such areas as executive stock-based compensation planning (stock options, phantom stock, performance awards, ESPP & restricted stock), executive non-qualified deferred compensation planning, tax and cash flow analysis, education planning, retirement planning, estate planning, charitable planning, business succession planning, investment planning, and insurance planning. Financial planning services are offered to clients in one or more of these noted areas, depending on the client's needs and objectives.

### **Asset Management Services**

Through SFG's Asset Management Services, SFG offers clients implementation assistance and ongoing and continuous review of investment assets and consolidated performance reporting. If not already prepared, SFG will develop an Investment Plan with the client, which includes an Investment Policy Statement. The Investment Policy Statement contains the foundation upon which all investment recommendations and decisions are made on behalf of the client. Investment planning also includes categorizing the client's existing assets by asset class and making recommendations regarding the re-allocation of assets to meet the Investment Policy Statement of the client. SFG provides these Asset Management Services on a either a discretionary or a non-discretionary basis, at the sole decision of the client.

As part of the Asset Management Services, client accounts are reviewed by SFG on at least a quarterly basis in light of the Investment Policy Statement, overall market conditions, and current asset mix. Ongoing investment planning reviews are conducted at the request of the client or are triggered in the case of substantial changes in market conditions or changes in the client's Investment Policy Statement. Periodic consolidated asset reporting to the client is done either on a quarterly, semi-annual or annual basis, at the client's election. Recommendations may include a variety of equity and debt based securities, but any mutual fund recommendations will be limited to no-load or load waived mutual funds.

### **Third Party Investment Advisors**

In certain circumstances, SFG may determine that it is suitable to utilize third-party investment advisors to manage portfolios as part of an asset management program. In some cases, these third-party investment advisors provide appropriate wrap-fee programs. SFG will assist a client in determining, among other things, the client's suitability for the program, as well as the appropriate allocation model based on the client's investment needs and objectives. In some cases, the third-party program will consist of separate accounts managed by different money managers. SFG assists the client in determining which managers are appropriate for their investment goals and objectives. In most cases, the third-party investment advisor will provide clients a disclosure document, or wrap disclosure where applicable, which discloses all applicable fees and expenses. Clients are usually required to execute an Agreement with the third-party investment adviser. Clients should refer to the third-party advisor's disclosure documents and agreements for specific fee schedules and termination and refund procedures.

SFG currently utilizes third-party management programs offered by the following advisors: Bluestone Capital Management, SEI Investment Management Corporation ("SIMC"), Betterment, LLC, Lockwood Advisors, Inc., and Advisors Capital Management, LLC (collectively referred to as "third-party managers"). From time to time, SFG may utilize third-party management programs offered by other advisors. After consulting with a client, SFG and the client determine which third-party manager is appropriate for the client based on the client's needs and objectives. Participation in these various managed account programs offered by third-party managers require execution of a separate, tri-party management agreement (the "Agreement") between SFG, the third-party manager, and the client. The Agreement allows the client to appoint SFG as the investment adviser, and typically grants authority to the third-party manager to invest and manage the client's assets. The services provided by the third-party manager are separate from the services provided by SFG, and only those assets designated for the third-party programs will be managed according to the terms of the applicable Agreement. In certain cases, clients may participate in programs offered by a third-party manager in addition to receiving other investment advisory services described in this disclosure brochure, and fees will be separate.

SFG will determine whether a program offered by a third-party manager is suitable for a client, and any applicable third-party manager disclosure brochures will be provided to the client, in addition to SFG's disclosure materials. Clients should read all disclosure materials carefully, including the discussions of specific program details, minimum account balances, and the fees associated with such programs. The third-party manager programs will typically involve the selection of an asset allocation strategy, where certain securities will be managed by the third-party manager in accordance with the strategy.

### **Financial Education Services**

SFG may also provide financial education services to executives and employees of corporations. Such education will be geared to the needs of the employees as determined by the business principals, trustees or directors of the company. SFG typically offers workshops to the employees with the objective of offering generic education and planning advice, as specifically requested.

### **General Information Related to Investment Recommendations**

For each of the above disclosed advisory services, SFG does not limit its investment recommendations to any specific type of product or security. A client's individual needs and objectives are analyzed to determine appropriate investments and products for the client. Since different types of investments typically involve different types of risk, the firm conducts a risk analysis of the client and his/her overall portfolio, before recommending a certain investment. SFG manages assets on either a discretionary or a non-discretionary basis; however, the client is always free to place restrictions on the types of investments the firm recommends for the client's portfolio. In general, the firm utilizes equity investments in individual stocks, no-load or load-waived mutual funds, non-qualified variable annuities, and exchange traded funds. SFG also provides recommendations on fixed income investments, including individual bond positions, bond mutual funds, certificates of deposit, and fixed income exchange traded funds. In addition, SFG provides advice related to real estate limited partnerships and REITS, and may also provide advice on private placement offerings. In some cases, SFG may recommend the purchase or sale of derivative products, including options contracts, and may provide advice on non-securities products.

### **Assets Under Management**

As of December 31, 2016, SFG was providing investment advisory services to 82 clients. The total value of assets under management for which SFG provides regular and continuous investment management services was \$159,790,157 held in 494 accounts.

## **Item 5. Fees and Compensation**

### **Executive Planning Services**

The fee for Executive Planning Services is based upon the client's adjusted net worth (eligible minimum adjusted net worth is \$750,000, with a preferred minimum net worth of \$1,000,000) which includes all investment assets (including non-qualified deferred compensation plans, retirement plans, 529 plans, UTMA & UGMA accounts, etc.),

investment real estate, personal investment assets and the value of employer stock-based compensation such as the value of vested stock options (net of taxes), the value of phantom stock, the value of performance awards, the value of stock appreciation rights (net of taxes), the value of executive stock purchase plans (ESSPP), and the value of vested restricted stock. The value of personal residential real estate holdings is not included when calculating adjusted net worth. The fee for Executive Planning Services is payable quarterly in advance and is calculated as follows:

<u>Adjusted Net Worth</u>	<u>Annualized Fee</u>
First \$ 500,000	0.925%
Next \$ 500,000	0.725%
Next \$ 1,000,000	0.525%
Amounts Above \$ 2,000,000	0.3475%

Fees are typically debited from a client's custodial account, with written permission from the client. SFG agrees to provide a written invoice to the client, detailing the amount of fee, the method of fee calculation, the period of time for which the fee applies, and the level of assets on which the fee is based. In the event that an account does not have enough cash to pay a quarterly fee, SFG will determine which, if any, asset should be liquidated to generate the necessary cash. In some cases, SFG will allow clients to directly remit payment for advisory fees, upon presentation of an invoice. The client may terminate Executive Planning Services by written notice given within five business days after the date of the Agreement and receive a full refund of all fees paid to SFG. Services may also be terminated by either party for any reason upon written notice to the other party. SFG agrees to furnish client with all written work completed as of the date of termination and to refund to client any unearned fees or a pro-rata portion of the fee paid by the client to SFG. The client shall be responsible to pay for services rendered up until the time of the termination of the Agreement, based on a pro-rata or time expended formula.

### **Financial Independence Planning Services**

The fee for Financial Independence Planning Services is based upon the client's adjusted net worth (eligible minimum adjusted net worth is \$750,000, with a preferred minimum net worth of \$1,000,000) which includes all investment assets (including non-qualified deferred compensation plans, retirement plans, 529 plans, UTMA & UGMA accounts, etc.), investment real estate, personal investment assets with the exception of executive stock-



based compensation planning (stock options, phantom stock, performance awards, stock appreciation rights, employee stock purchase plans (ESPP) & restricted stock) The value of personal residential real estate holdings is not included when calculating adjusted net worth. The fee for Financial Independence Planning Services is payable quarterly in advance and is calculated as follows:

<u>Adjusted Net Worth</u>	<u>Annualized Fee</u>
First \$ 500,000	0.85%
Next \$ 500,000	0.675%
Next \$ 1,000,000	0.50%
Amounts Above \$ 2,000,000	0.33%

Fees are typically debited from a client's custodial account, with written permission from the client. SFG agrees to provide a written invoice to the client, detailing the amount of fee, the method of fee calculation, the period of time for which the fee applies, and the level of assets on which the fee is based. In the event that an account does not have enough cash to pay a quarterly fee, SFG will determine which, if any, asset should be liquidated to generate the necessary cash. In some cases, SFG will allow clients to directly remit payment for advisory fees, upon presentation of an invoice. The client may terminate Financial Independence Planning Services by written notice given within five business days after the date of the Agreement and receive a full refund of all fees paid to SFG. Services may also be terminated by either party for any reason upon written notice to the other party. SFG agrees to furnish client with all written work completed as of the date of termination and to refund to client any unearned fees or a pro-rata portion of the fee paid by the client to SFG. The client shall be responsible to pay for services rendered up until the time of the termination of the Agreement, based on a pro-rata or time expended formula.

### **Navigate Financial Planning Services**

The fee for the first phase of the Navigate Financial Planning Services (development of the plan) range from \$250 to \$1,000 depending on the complexity of the plan. This is a one-time fee, assessed at the time the Navigate Financial Planning Agreement is signed. If client engages SFG for on-going retainer services (including asset management services) following the development of the plan, client is assessed a monthly retainer fee of \$129.00. Clients are required to authorize payment of the monthly retainer fee via credit card or ACH deduction from a bank account, or Clients may select to pay a lump sum on a semi-annual basis. The client may terminate Navigate Financial Planning retainer services by written notice given within five business days after the date of the Agreement and receive a full refund of all fees paid to SFG. Services may also be terminated by either party for any

reason upon written notice to the other party. SFG agrees to furnish client with all written work completed as of the date of termination and to refund to client any unearned fees or a pro-rata portion of the fee paid by the client to SFG. The client shall be responsible to pay for financial planning services rendered up until the time of the termination of the Agreement, based on a pro-rata or time expended formula. For retainer services, client will receive a full refund of the current month retainer fee if services are terminated prior to the 15<sup>th</sup> of the current month. If services are terminated after the 15<sup>th</sup> of the current month, client will not receive a refund of current month retainer fee.

### **Financial Planning Services**

The fee for Financial Planning Services is dictated by the complexity and depth of consultation and advice necessary to meet the financial planning needs of the client. Fees are determined based on actual or estimated hours necessary to complete the services requested and are calculated at a rate of \$250 - \$400 per hour, depending upon the planner and the services to be provided, and \$125 - \$200 per hour for any SFG staff person's time. If an estimate is utilized, a fee will be quoted and half of the fee is due up front at the signing of the financial planning agreement with the remainder due at the successful completion of the services, which typically occurs within 6 months of the signing of the agreement.

If actual hours will be billed, then an invoice will be sent to the client periodically or after services are rendered requesting payment for services rendered to date. SFG also offers clients periodic or special project services. These services will also be performed based upon actual or estimated hours necessary to complete the services requested and are calculated at the same hourly rates quoted above.

The client may terminate Financial Planning Services by written notice given within five business days after the date of the Agreement and receive a full refund of all fees paid to SFG. Services may also be terminated by either party for any reason upon written notice to the other party. SFG agrees to furnish client with all written work completed as of the date of termination and to refund to client any unearned or pro-rata portion of the fee paid by the client to SFG. The client shall be responsible to pay for services rendered up until the time of the termination of the Agreement, based on a pro-rata or time expended formula.

### **Asset Management Services**

The sole source of compensation for SFG and its associates for Asset Management Services is the asset management fee. The fee is based on the total assets under management, including assets held in third-party adviser programs described below, and is calculated as follows:

<u>Annual Fee Percentage</u>	<u>Assets under Management Amount</u>
1.90%	\$249,999 and under
1.60%	\$250,000 to \$349,999
1.30%	\$350,000 to \$449,999
1.20%	\$450,000 and up

The minimum annual asset management fee per account is \$750. Management fees may be reduced or increased by SFG based upon the services and products provided to the client. SFG maintains the right to charge different clients a different fee for the same service. Fees are negotiable at SFG's sole discretion. SFG will calculate the fee for the management of multiple accounts under the control of a single client. SFG prefers to manage accounts under the Asset Management Services with \$100,000 or more in assets. This size account facilitates SFG's ability to allocate assets among two to three assets, at minimum, for the account. Notwithstanding this policy, SFG may, from time to time, accept smaller size accounts at the discretion of the firm.

Fees are billed at the beginning of each calendar quarter, in advance of services, and are payable within 10 days. Fees are generally deducted directly from the client's brokerage account pursuant to a written standing authorization from the client. SFG agrees to provide a written invoice to the client, detailing the amount of fee, the method of fee calculation, the period of time for which the fee applies, and the level of assets on which the fee is based. In some cases, SFG may allow clients to pay fees directly, by check, following the presentation of an invoice. Fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter from when the Agreement is effective. The Agreement may be terminated at any time by either the Advisor or the client. If an Agreement is terminated within five business days of the signing of the Agreement, clients will receive a full refund of any fees paid. Following five business days of signing of an Agreement, clients are entitled to a pro-rated refund of fees paid. Notice of termination must be given to the other party in writing.

### **Third Party Investment Advisors**

SFG typically will not have any authority to establish the fee schedule applicable to a third-party advisory program. While SFG endeavors to only refer clients to third-party advisors that it feels charge reasonable fees, the client is responsible for reviewing the fee schedule applicable to the third-party advisory program. The third-party investment advisor will provide clients a disclosure document, which discloses all applicable fees and expenses. Clients should refer to this disclosure document for specific fee schedules and termination and refund procedures. Clients will be subject to SFG's normal fee schedules as well as the third-party advisor's fee. The Agreement signed by the client will specify the fee structure to

which the client is subject. In some cases, the client will pay a third-party adviser directly, and SFG will be paid a portion of those fees by the third party investment adviser. The typical annual fee charged to the client for third party investment advisory programs will vary from adviser to adviser and may be more or less than services provided by other advisers. Clients should refer to the third party adviser's disclosure documents and agreements for a complete discussion of all fees. Fees will be debited from the client's account on a quarterly basis, and statements will be provided to the client. Clients are responsible for verifying the accuracy of the fee calculation. Participation in any third party investment advisory program may cost the client more or less than purchasing program services separately.

### **Financial Education Services**

A flat fee and/or an hourly-based fee, based upon such factors as the number of participants, the services to be provided and the length of the services to be performed will be quoted. This fee will typically range from \$100 - \$200 per participant, and/or an hourly fee of \$250 - \$400. Travel expenses will be billed separately to the client. Half of the fee is due up front at the signing of the agreement, and the remainder is due at the successful completion of the services, which typically occurs within 6 months of the signing of the agreement. The corporate client may terminate Financial Education Services by written notice given within five business days after the date of the Agreement and receive a full refund of all fees paid to SFG. Services may also be terminated by either party for any reason upon written notice to the other party. Upon termination of the agreement, SFG agrees to refund to the corporate client any unearned or a pro-rata or per participant portion of the fee paid to SFG. The client is responsible to pay for services rendered up until the time of the termination of the Agreement, based on a pro-rata, per participant or time expended formula.

### **General Information Related to Fees and Compensation**

While SFG has established the above referenced fee schedule for its advisory services, the firm may negotiate fees under certain, limited circumstances, at its sole discretion. Factors considered when determining whether a different fee will be negotiated include, among other things, the complexity of the client's financial situation, related accounts under management, portfolio style, and the provision of other services provided to the client. In some cases, clients may be subject to a different fee schedule in effect at the time their account was established and specified in their Investment Advisory Agreement with SFG. These different fee schedules may be higher or lower than current fee arrangements. SFG may, in its sole discretion, determine when, if ever, previous fee schedules will or will not apply to existing clients. Clients will receive advance written notice of any change in their applicable fee schedules. Investment advisory services provided by SFG may cost a client more or less than advisory services offered by other investment advisors. SFG will not be compensated on the basis of a share of capital gains in a client's account.

In addition to advisory fees, clients may be subject to custodial and account fees charged by account custodians or broker/dealers with whom clients establish accounts. Such additional fees may include, but are not limited to, transaction charges, IRA fees and other account administrative fees. Please see additional disclosure made for Item 12, Brokerage Practices, later in this brochure. In cases where shares of mutual funds or exchange traded funds are included in clients' portfolios, clients may also be subject to fees and expenses charged directly by the mutual fund or exchange traded fund company. Such fees may include, but are not limited to, management fees, fund expenses, distribution fees, and 12b-1 fees. Clients should refer to the applicable product prospectus for a complete discussion of the fees and charges associated with the product. SFG associates will not receive any portion of these additional fees. SFG associates are only compensated by the advisory fees described above.

If SFG makes recommendations to clients for the purchase of insurance products, clients may pay a normal and customary insurance commission for the purchase of the product. In these cases, SFG refers clients to an unaffiliated third party who offers insurance products and services. This third party will receive a commission, as an insurance agent, generally based upon a percentage of the premiums paid. Such insurance commission is paid directly to the unaffiliated third party from the issuer of the insurance product. Neither SFG, nor any of its associates will receive a portion of commissions earned from the sale of insurance products. SFG may, however, be paid an administrative fee by the third party insurance provider for administrative services provided by SFG associates in conjunction with the client referral. This administrative fee does not increase or decrease the normal and customary commission costs to which client will be subject if client elects to purchase insurance through the third party service provider. SFG makes this service available to clients simply as a convenience to clients. Clients are not obligated to work with any professionals to whom SFG may refer clients, and clients elect to utilize the services of these professionals at their sole discretion. SFG is not responsible for any of the services offered by the professionals to whom SFG may refer clients.

Clients may terminate investment advisory agreements at any time upon prior written notice. If an Agreement is terminated within the first five business days, clients are entitled to a full refund of any fees paid. If an Investment Advisory Agreement is terminated after more than five business days, clients will be assessed fees on a pro-rata basis, based on the number of days that investment management services were provided.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

SFG does not charge performance-based fees.

## **Item 7. Types of Clients**

SFG provides investment advisory services to individuals, high-net worth individuals, corporations or other businesses, trust, estates and charitable organizations. As described in Item 5 above, SFG prefers to offer its advisory services to clients with \$100,000 or more in asset value, with the exception of its Navigate Financial Planning Services, which are designed for clients new to financial planning or wealth accumulation. For Executive Planning Services and Financial Independence Planning Services, SFG prefers to engage clients with an adjusted minimum net worth of \$1,000,000, but will also engage clients with a minimum adjusted net worth of \$750,000. These minimums facilitate SFG's ability to properly allocate and diversify assets among two to three assets, at minimum, for the account. Notwithstanding this policy, SFG may, from time to time, accept smaller size accounts at the discretion of the firm. SFG has a minimum annual fee on every managed account of \$750 (with the exception of Navigate Financial Planning Service accounts), which may be waived at SFG's discretion.

For Asset Management Services, clients must maintain their managed accounts at Schwab Advisor Services, a firm that clears transactions through its affiliate, Charles Schwab & Co., Inc., a member of the New York Stock Exchange and other principal exchanges. Exceptions to this policy may be made for assets required to be held by a specific custodian, such as a Trust Company. SFG typically requires a minimum of \$100,000 in assets under management for Asset Management clients. Household accounts may be aggregated to meet this asset threshold, and this minimum may be waived at SFG's sole discretion.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

There are general standards of education and business experience which SFG requires of those involved in determining or giving investment advice to its clients. SFG Associates are required to have the technical knowledge in the areas of securities portfolio management. They are also expected to have, or be in the process of attaining, advanced training through earning of a professional designation, such as the Certified Financial Planner (CFP®), Certified Equity Professional (CEP®) designation, Chartered Financial Analyst (CFA®), Certified Investment Management Analyst (CIMA®) or Certified Investment Management Consultant (CIMC®) designation, or have an advanced degree and a securities license with at least 2 years of experience in the financial services industry.

In most instances, the method of security analysis, sources of information and investment strategy chosen for an Asset Management client will be dictated by the client's Investment Policy Statement which is developed with the client. In addition to reviewing documents and materials provided by product sponsors or research services, SFG may, in some cases,

conduct on-site due diligence visits where necessary or appropriate. For Asset Management Services clients, SFG takes a comprehensive approach to evaluate an overall portfolio strategy and asset allocation that meets a client's needs and objectives. Rather than focusing on specific investments, SFG identifies an appropriate ratio of securities, fixed income investments, real estate investments and cash, to build a portfolio that is suitable for a client's investment needs, objectives and risk tolerance. SFG typically does not recommend or engage in frequent and short-term trading strategies for its clients. Portfolios are typically made up of various no-load or load-waived mutual funds, non-qualified variable annuities, fixed income securities, exchange traded funds, and real estate investment trusts. Portfolios may also include individual equity or bond positions, private placement offerings, certificates of deposits, and derivative products, such as options contracts.

SFG conducts its research on the investments it recommends using publicly available performance information. SFG utilizes Morningstar for performance analysis. SFG evaluates the experience and track record of product managers, to determine whether a manager has demonstrated the ability to manage assets under varying economic situations. SFG also evaluates the asset allocation and sector weightings in a mutual fund or exchange traded fund, to determine whether the manager invests in a manner that is consistent with the fund's investment objective. A risk associated with this type of analysis is that past performance is not a guarantee of future results. While a manager may have demonstrated a certain level of success in past economic times, he or she may not be able to replicate that success in future markets. In addition, just because a manager may have invested in a certain manner in past years, such manager may deviate from his/her strategy in future years. To mitigate this risk, SFG attempts to select investments from companies with proven track records that have demonstrated a consistent level of performance and success. SFG also relies on an assumption that the rating agencies it uses to evaluate investments is providing accurate and unbiased analysis.

SFG uses investment management strategies that it feels best meet its clients' needs and objectives. Such strategies typically include long-term investment strategies of holding investments for a year or longer. While this strategy typically meets the needs and objectives of our clients, long-term investment strategies may include the risk of not taking advantage of short-term gains that could be profitable to a client. In addition, all securities investments involve risk and clients may lose all or part of their investment. Clients who elect to invest in securities must be willing to bear this risk. For this reason, SFG takes extra care to determine an appropriate risk tolerance of its clients. Investment recommendations are always made with this risk tolerance in mind.



## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SFG or the integrity of SFG's management. SFG has no reportable information applicable to this Item.

## **Item 10. Other Financial Industry Activities and Affiliations**

SFG is engaged in no other business other than the businesses described herein, nor does it offer products or services other than those described herein.

In some cases, SFG associates may refer clients to a third-party investment advisor for specific investment management services. SFG associates make these referrals when they feel it is in the client's best interest to do so, based on the specific needs and objectives of the client. Clients will pay SFG according to the fee schedules disclosed in Item 5. Third-party advisors may also charge separate fees, which would be fully disclosed to the client at the inception of the relationship. Clients receive applicable third-party advisor disclosure documents that describe the fees associated with the specific investment management services the third-party advisor will provide. Clients also receive disclosure documentation about the compensation provided to SFG associates. Participation in a third-party advisory program may cost a client more or less than purchasing program services separately.

SFG also has an arrangement with Arbor Associates Insurance Agency, to provide insurance services to SFG clients. In these cases, clients may pay normal and customary insurance commissions to the provider of the insurance products. Neither SFG nor any of its associates will receive a portion of commissions earned on the sales of insurance. SFG makes this service available to clients simply as a convenience to clients. The potential for additional compensation is not a criterion on which the referral is based. Clients are not obligated to work with any professionals to whom SFG may refer clients, and clients elect to utilize the services of these professionals at their sole discretion. SFG is not responsible for any of the services offered by the professionals to whom SFG may refer clients.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

SFG has adopted a Code of Ethics to promote the principles of honesty and integrity in its business practices, and to maintain SFG's reputation as a firm that operates with the highest level of professionalism. SFG recognizes its fiduciary responsibilities to its clients, and its duty and pledge to place clients' interests first and foremost. In connection with



this duty, all employees of SFG are subject to the firm's Code of Ethics, and are required to acknowledge their understanding of its terms. A copy of the SFG Code of Ethics will be provided to any client or prospective client upon request.

SFG's Code of Ethics establishes procedures for employees to report personal securities transactions and personal securities holdings. The Code sets forth procedures for management review of these reports. In some cases, SFG's employees may be required to obtain pre-approval for certain personal securities transactions or refrain from certain transactions altogether. SFG's Code of Ethics also sets forth the obligation of all SFG employees to comply with applicable state and federal securities laws, and the duty to cooperate in any investigation or inquiry conducted on or by SFG. Finally, SFG's Code of Ethics establishes procedures for the reporting of any potential violation of the firm's Code.

SFG or its owners, officers and employees may buy or sell securities that are the same or different than those they recommend to clients. While buying or selling the same security as a client would be incidental, it may represent a potential conflict of interest, which would be fully disclosed to the client. SFG or its owners, officers and employees may not sell securities from their accounts directly to a client, nor may they purchase securities directly from a client. SFG, its owners, officers and employees are prohibited from trading on material nonpublic information. SFG does not trade ahead of clients, but instead puts clients' interests first. Employees may not purchase or sell any security prior to a transaction being implemented for an advisory client, unless the timing of such transaction was done without the employee's knowledge of a client's transaction. SFG endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the decision making process for client investment recommendations. SFG also endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the implementation of investment recommendations made to clients.

SFG prohibits its owners, officers, and employees from participating in any principal transactions, where securities are purchased directly from, or sold directly to a client. SFG also prohibits its owners, officers and employees from purchasing shares in initial public offerings or private placement offerings, unless express written permission is provided in advance, by the firm's Chief Compliance Officer. SFG, its owners, officers and employees, do not recommend to clients that they buy or sell securities in which a person associated with SFG has a material financial interest.

## Item 12. Brokerage Practices

SFG provides investment advisory services on either a discretionary or a non-discretionary basis, at the sole decision of the client. In either case, clients are free to place reasonable restrictions on the types of investments SFG may recommend for their accounts. Neither SFG nor its associates have any authority to determine for the client, without first obtaining specific client consent, the securities to be bought or sold, or the amount to be invested for accounts managed on a non-discretionary basis. In addition, non-discretionary clients are free to implement investment recommendations at firms of their choice; however, if clients choose to implement transactions at firms other than those recommended by SFG associates, SFG may be unable to provide investment advice or Asset Management services for those assets.

For discretionary Asset Management clients, SFG requires that clients maintain brokerage accounts at Schwab Advisor Services, a firm which clears transactions through its affiliate, Charles Schwab & Co., Inc., a member of the New York Stock Exchange and other principal exchanges. SFG also recommends that non-discretionary clients maintain brokerage accounts at this firm. Exceptions to this policy may be made for assets required to be held by a specific custodian, such as a Trust Company, or where clients have other custodial restrictions placed on them for various reasons. While non-discretionary clients may choose to use a different broker/dealer for execution and custodial services, SFG would be unable to provide Asset Management services to clients who elect to use other firms. SFG routinely recommends that clients utilize the brokerage and custodial services offered by Schwab Advisor Services, unlike other advisors who may permit clients to direct brokerage.

SFG is unable to negotiate specific transaction costs for transaction execution. Transactions executed by Schwab Advisor Services through Charles Schwab & Co., Inc., will be subject to the transaction and execution fee schedule in effect at the time of execution. SFG does not negotiate commission rates or volume discounts. Therefore, brokerage and investment advisory services offered by SFG may cost a client more or less than similar investment advisory services offered by another firm, or by purchasing similar services separately.

SFG does not have any soft-dollar arrangements and does not receive any soft-dollar benefits. Through their affiliation with Schwab Advisor Services, SFG associates have access to free research, software, account administrative support, record keeping, brokerage, custodial and other related services that are intended to support investment advisors in conducting an advisory business. SFG associates also have access to an extensive list of product offerings from which client recommendations can be made, and

may have the ability to execute client no-load or low-load mutual fund transactions without transaction charges or with nominal transaction charges. In addition, SFG associates may receive marketing support or reimbursement for marketing costs, such as expenses related to meetings held by, or attended by SFG associates. This support is not conditioned upon the placement or execution of client transactions. SFG feels the relationship with Schwab Advisor Services provides an advantage to its clients and serves their best interests. SFG does not use client brokerage commissions to obtain research or other products or services. SFG does not recommend broker/dealers in order to receive client referrals from such broker/dealers. SFG does not typically aggregate the purchase or sale of securities for various client accounts.

### **Item 13. Review of Accounts**

**Asset Management and Third Party Investment Advisory Services:** On an ongoing basis, all accounts are monitored for aggregate performance in light of general market and economic conditions. Each Asset Management account and third party investment advisory account undergoes a thorough review at least quarterly. Each account is reviewed in light of the client's specific objectives, overall market conditions and current asset mix. Recommendations are made at the end of these reviews, as necessary, for the rebalancing of an account or to recommend alternative investments. More frequent reviews may be made when there are material market changes or changes in the client's financial situation. All reviews are conducted by qualified professional staff members of SFG, in collaboration with the firm's President. All accounts shall receive periodic performance reports on a quarterly, semi-annual or annual basis as agreed to by SFG and the client, or as disclosed in third party investment advisory program materials, if applicable. Such reports shall include investment strategy, investment summaries and allocation, and performance relative to relevant market indices. Clients also receive normal and customary brokerage account statements, if applicable, whenever there is activity in the accounts or at least quarterly. Clients should compare account information provided in reports furnished by SFG with the information provided on the custodial brokerage statements.

**Executive Planning Services and Financial Independence Planning Services:** The various areas encompassed in these Services are reviewed on at least an annual basis by a qualified professional staff member of SFG, in collaboration with the firm's President. Performance reports are provided on a quarterly basis. Clients also receive normal and customary brokerage account statements, if applicable, whenever there is activity in the accounts or at least quarterly. Clients should compare account information provided in reports furnished by SFG with the information provided on the custodial brokerage statements.

**Financial Planning Services:** Once a comprehensive financial plan is completed for a client, if the client contracts for either Executive Planning Services, or Financial Independence Planning Services, the client's overall financial plan will be reviewed at least annually. Otherwise, ongoing financial plan reviews will only be done on the request of the client and for an additional fee. All clients receive a written financial plan summarizing the client's financial situation and recommendations for future implementation to assist the client in meeting his/her financial goals.

#### **Item 14. Client Referrals and Other Compensation**

As discussed previously, the sole business of SFG is that of providing the investment advisory services described herein. SFG's compensation is based on the advisory services offered by the firm.

SFG associates may recommend the placement of all or a portion of client assets with an independent money manager or with a third party investment adviser. SFG and its associates may receive compensation directly or indirectly from the money manager or third party investment advisor, and/or the client, for services rendered. The compensation to SFG may be based on a percentage of the assets to be managed or a flat fee. All compensation will be disclosed to the client prior to the placement of any assets with the independent money manager or third party investment advisor. The potential for this compensation may present a conflict of interest in that SFG may be incented to refer clients to these independent money managers or third party investment adviser. However, SFG endeavors at all times, to only make such referrals when they are in the best interests of its clients, and clients may or may not pay this third-party advisory fee in lieu of a separate asset management fee. The potential for additional compensation is not a criterion on which a referral is based.

SFG and its President have an arrangement with Arbor Associates Insurance Agency that assists SFG in the placement of Long-Term Care Insurance for its clients. While clients would pay normal and customary insurance commissions if they elect to purchase insurance products through Arbor Associates, neither SFG nor any of its associates would receive a portion of insurance commissions earned in connection with any Long-Term Care Insurance transactions placed through this arrangement. However, SFG endeavors at all times, to only make such referrals when they are in the best interests of its clients. The potential for additional compensation is not a criterion on which a referral is based.

SFG has a mutual referral agreement with Certent, Inc., a provider of software and related services to equity compensation plan sponsors. This mutual referral agreement allows Certent to refer potential investment advisory clients to SFG for wealth planning services,

and SFG may refer clients to Certent for its software and related services. Each party agrees to compensate the other party for its referral, pursuant to the terms of a mutual referral agreement. A conflict of interest may exist in that SFG will be compensated for its referrals to Certent. However, SFG clients are under no obligation to utilize the services of Certent in the event a referral is made, and do so at their sole discretion. In addition, SFG will compensate Certent for any referrals made by it, where a client agreement is subsequently established between the referred client and SFG.

#### **Item 15. Custody**

SFG does not maintain custody of client funds or securities except to the extent that it has the ability to debit advisory fees directly from client accounts, as agreed to in writing by the client. Clients receive normal and customary custodial account statements at least quarterly, which detail the amount of advisory fees debited from an account. Clients are strongly encouraged to review all statements carefully. Clients, not account custodians, are responsible for verifying the accuracy of all fees.

#### **Item 16. Investment Discretion**

SFG does accept discretionary authority to manage securities accounts on behalf of clients, for those clients who elect discretionary asset management services. If discretionary asset management is desired by clients, clients are required to execute applicable written trading authorizations to grant SFG discretionary authority over their accounts. SFG also requires clients to enter into discretionary investment advisory agreements, if discretionary asset management services are elected. Third party investment advisors may accept discretionary authority, as described in disclosure brochures and offering materials. Clients who participate in a third party investment advisory program should refer to the program offering materials and third party investment advisor disclosure brochures for a complete discussion of investment discretion.

#### **Item 17. Voting Client Securities**

SFG does not accept authority to vote client securities on behalf of clients. Clients retain all rights to their brokerage accounts, including the right to vote proxies. Clients are responsible for directing each custodian of their assets to forward copies of all proxies and shareholder communications directly to the client. While SFG may provide information or

consultation to assist a client in deciding how to vote a particular security, the ultimate decision and responsibility to vote a security lies with the client.

Third party investment advisors may accept authority to vote client securities, as described in disclosure brochures and offering materials. Clients who participate in a third party investment advisory program should refer to the program offering materials and third party investment advisor disclosure brochures for a complete discussion of proxy voting procedures.

### **Item 18. Financial Information**

SFG does not require or solicit prepayment of more than \$1,200 in advisory fees more than six months in advance of services rendered. SFG is therefore not required to include a financial statement or balance sheet with this brochure.

SFG does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. SFG has not been the subject of any bankruptcy petition.

### **Privacy Policy**

SFG maintains a specific Privacy Policy that is distributed to each client at the time an account is opened and annually thereafter. SFG collects nonpublic information about clients from the following sources: information the firm receives from clients verbally, on applications or other forms and information about client transactions with others or the firm.

SFG may have to share non-public client information with unaffiliated firms in order to service client accounts. Additionally, SFG may have to provide information about clients to regulatory agencies as required by law. Otherwise, SFG will not disclose any client information to an unaffiliated entity unless a client has given express permission for the firm to do so.

SFG is committed to protecting client privacy. The firm restricts access to clients' personal and account information to those employees who need to know the information. SFG also maintains physical, electronic and procedural safeguards that the firm believes comply with Federal standards to protect against threats to the safety and integrity of client records and information.