



Gragg Financial  
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03.08.2024

This Brochure provides information about the qualifications and business practices of Gragg Financial. If you have any questions about the contents of this Brochure, please contact us at 704.482.2001. 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.

Gragg Financial is a registered investment adviser. 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 Gragg Financial also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC and North Carolina Rules. This Brochure dated 03.08.24 is a new document prepared according to the SEC’s and North Carolina’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

As of this date there are no material changes to report.

Currently, our Brochure may be requested by contacting Jay Gragg, Partner at 704.482.2001 or [jay@graggfinancial.com](mailto:jay@graggfinancial.com).

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## Item 4 – Advisory Business

**Investment Advisory Services:** Gragg Financial provides Investment Advisory Services, defined as giving continuous advice to a client or making investment decisions for a client based upon the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, Gragg Financial develops a client's personal investment policy and creates and manages a portfolio based on that policy. Gragg Financial provides the service to individuals, trusts, estates, charitable organizations, pension and profit-sharing plans, and corporations. Gragg Financial will manage advisory accounts on a discretionary and non-discretionary basis. Account supervision is guided by the stated objectives of the client. (I.e. growth, moderate, or conservative). Clients may request restrictions on investing in certain securities or types of securities.

Gragg Financial has been in the advisory business since 2000 and as of January 1, 2024 the Firm had assets under management of \$181,871,071. The Principals are Bryon Gragg and Jay Gragg.

**Personal Financial Counseling:** Gragg Financial also provides advice in the form of a Financial Plan. Clients purchasing this service will receive a written financial plan, providing the client with a detailed financial plan designed to assist in achieving their stated financial goals and objectives.

In general, the financial plan will address the following areas of concern:

**PERSONAL:** Family records, budgeting, personal liabilities, estate information and financial goals.

**TAX & CASH FLOW:** Income tax and spending analysis and planning for past, current and future years. Gragg Financial will discuss the impact of various investments on a client's current income tax and future tax liability.

**DEATH & DISABILITY:** Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.

**RETIREMENT:** Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.

**INVESTMENTS:** Analysis of investment alternatives and their effect on a client's portfolio.

Gragg Financial gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed, including a questionnaire completed by the client, and a written report is prepared. Should the client choose to implement the recommendations contained in the plan, Gragg Financial suggests the client work closely with his/her attorney, accountant, insurance agent, and/or investment advisor. Implementation of financial planning recommendations is entirely at the client's discretion. Counseling and consulting fees will be in the range from \$200-\$400 per hour, depending on the nature and complexity of each client's circumstances and upon mutual agreement with the client.

Clients can also receive investment or financial advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. Gragg Financial also provides specific consultation and administrative services regarding investment and financial concerns of the client. Additionally, Gragg Financial provides advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, insurance, and/or annuity advice. Consulting recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. All recommendations are of a generic nature.

Gragg Financial holds seminars to help educate people on how to achieve financial independence by teaching them the fundamentals of investing and presenting different scenarios to show the effects of saving and spending money more wisely. These seminars teach direct instrument and mutual fund investing. In both

situations, we discuss costs and fees associated with each as well as risk and turnover. There is no cost for the seminars. Investment advice is not tailored to the attendees.

**ERISA Accounts:** Gragg Financial is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, ADVISOR may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset ADVISOR's advisory fees.

A direct client agreement may be canceled by the client at any time for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

#### **CPAlliance™**

CPS Investment Advisors have discretionary authority (with respect to the purchase and sale of securities) and provides ongoing supervisory services for each account. Gragg Financial is responsible for educating the client with respect to the types of investments available, assisting each client in determining the amount of risk versus return in various investment vehicles, and assisting each client in making an asset allocation between those various investments. It is the responsibility of the Gragg Financial to monitor the performance of the account, as it relates to meeting the objectives of the client and the asset allocation. Gragg Financial will meet with the client to continually assess the client's risk tolerance and change the asset allocation as necessary. Gragg Financial has the discretionary authority to terminate the client's contract with CPS without the client's consent. Gragg Financial and CPS have separate contracts with the client.

The owners of Gragg Financial are Gary Bryon Gragg Jr. and Jason D. Gragg.

## **Item 5 – Fees and Compensation**

All fees are subject to negotiation. All fees are calculated on assets under management and are not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client [SEC Rule 205 (a)(I)]. Fees for financial planning and consulting will be charged either on an hourly basis or fixed fee basis. Gragg Financial may waive the financial planning and consulting fee for those clients who select Gragg Financial for money management services.

The specific manner in which fees are charged by Gragg Financial is established in a client's written agreement with Gragg Financial. Gragg Financial will generally bill its fees on a quarterly basis. Clients may also elect to be billed directly for fees or to authorize Gragg Financial to directly debit fees from client accounts. Management fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

Gragg Financial fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds

also charge internal management fees, which are disclosed in the fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Gragg Financial, and Gragg Financial shall not receive any portion of these commissions, fees, and costs.

Gragg Financial follows the guidelines set by the Securities and Exchange Commission for directly debiting advisory fees from client custodial accounts to ensure that Gragg Financial will not be deemed to have custody of client funds and/or securities with regard to the practice of direct debiting.

Clients will be invoiced in advance, at the beginning of each calendar quarter, based upon the month end values (market value or fair market value in the absence of market value, plus any margin balance) of the client's account during the previous quarter. The value of the portfolio is determined on the nearest valuation date preceding the end of the quarter, which valuation date is defined as the last day of the month.

Management of the account and the fee commences upon the signing of the agreement, unless otherwise agreed upon. If the agreement commences other than at the beginning of a quarter, a pro rata charge will be made for the initial period the portfolio is under the advisor's management prior to the beginning of a quarter on the amount agreed upon.

Management fees do not include wire fees, margin interest, overnight or registered postage charges, mutual fund sales charges, IRA custodial fees or transaction charges. These fees are charged to the client directly by the mutual fund or custodian when incurred.

Item 12 further describes the factors that Gragg Financial considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

All fees paid to Gragg Financial for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of Gragg Financial. In that case, the client would not receive the services provided by Gragg Financial which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by Gragg Financial to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. When appropriate to the needs of the client, Gragg Financial may recommend the use of trading (securities sold within 30 days), margin strategies, or option writing. Because these investment strategies involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

#### **CPAlliance<sup>tm</sup> Investment Supervisory Services:**

The annual fee for investment supervisory services will be charged as a percentage of assets under management, according to the schedule below:

##### **Equity Portfolio**

<u>Assets under management</u>	<u>CPS</u>	<u>G&amp;G</u>	<u>Total</u>
The portion of assets up to \$3,000,000	0.500%	1.000%	1.500%
The portion of assets between \$3,000,000 and \$5,000,000	0.330%	0.670%	1.000%
The portion of assets greater than \$5,000,000	0.250%	0.500%	0.750%

For accounts prior to March of 2012, Gragg Financials' portion of these amounts was (and remains) approximately 50% of the total fee and CPS' is approximately 50%. For accounts initiated between March of

2012 and January of 2018 Gragg Financials' portion was (and remains) approximately 57% of the total fee and CPS' is approximately 43%.

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

Gragg Financial does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or side-by-side management.

## **Item 7 – Types of Clients**

Gragg Financial generally provides portfolio management services to high net worth individuals, individuals, corporations, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, and other U.S. institutions.

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

Gragg Financial, through its sub-advisors, utilizes a number of different sources for its research and investment process, including financial publications and new, Value Line, Morningstar, annual reports, online research services, and financial newsletters, among many others. None of these services or products is obtained by the firm, or its sub-advisors, on a soft dollar basis.

Our investment philosophy at Gragg Financial is to stick to our value driven premise that buying securities when they are undervalued is associated with a high probability of achieving above-average returns in the future, and of course, buying securities when they are overvalued will result in a high probability of achieving lower than expected returns

Our investment strategy is to identify companies with strong balance sheets, dependable earnings, history of increasing dividends, significant overseas exposure and a dominate player in their respective industry. These companies have competitive advantages over their competitors; this allows them to withstand the volatility the market can provide. We buy with a margin of safety and monitor until such time the company is overvalued, at which time it may be sold and the proceeds reinvested in another undervalued company. We understand the importance of diversification; therefore, properly diversifying all Client Accounts can likely lead to better performance over time. In areas where market research is limited, we may elect to incorporate mutual funds, index funds, or exchange traded funds to adequately diversify the Client Account. Our view is long-term and our Clients understand this position. Short-term movements in the market sometimes in response to non-factual information, either positive or negative, therefore having a long-term approach rids the Account of short-term fluctuations. This process takes time, effort and experience. It requires the use of expertise and good judgment in a qualitative, as well as quantitative process, making it as much of an art as it is a science.

Investing in securities involves risk of loss that clients should be prepared to bear. Gragg Financial does not guarantee the future performance of the Account or any specific level of performance, the success of any investment decision or strategy that Gragg Financial may use, or the success of Advisor's overall management of the Account. Client understands that investment decisions made for Client's Account by Gragg Financial are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. Gragg Financial will manage only the securities, cash and other investments held in Client's Account and in making investment decisions for the Account, Gragg Financial will not consider any other securities, cash or other investments owned by Client. Except as may otherwise be provided by law, Gragg Financial will not be liable to Client for (i) any loss that Client may suffer by reason of any investment decision made or other action taken or omitted in good faith by Gragg Financial with that degree of care, skill, prudence, and diligence under the circumstances that a prudent person acting in a

fiduciary capacity would use; (ii) any loss arising from Gragg Financials' adherence to Client's instructions; or (iii) any act or failure to act by the Custodian, any broker or dealer to which Gragg Financial directs transactions for the Account, or by any other third party. This limitation on liability is valid however only to the extent it does not violate federal and state securities laws. Federal and state securities laws impose liabilities under certain circumstances on persons who nonetheless act in good faith, and therefore not constitute a waiver or limitation of any right Client has under such laws.

## **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 Gragg Financial or the integrity of Financials' management. Gragg Financial has no information applicable to this item.

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

Gragg Financial is also a Certified Public Accounting firm actively involved in personal financial counseling and traditional income tax and accounting services.

Gragg Financial utilizes the services of CPS Investment Advisors for placing trades and discretionary authority to act on certain client's accounts. CPS has discretionary authority with respect to the purchase and sale of securities and provides ongoing supervisory services for each client.

## **Item 11 – Code of Ethics**

Gragg Financial has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Gragg Financial must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Gragg Financial will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Gragg Financial and its clients.

Gragg Financial or its associated persons may buy or sell securities for their personal accounts identical or different than those recommended to clients. It is the expressed policy of Gragg Financial that no person employed by Gragg Financial shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decision of advisory clients. Gragg Financial buys and sells securities for its owners, employees, and their immediate families that it also recommends to clients. At times, Gragg Financial may buy investments for its proprietary accounts that it does not buy for its clients.

All securities traded in affiliated accounts are subject to a blackout period where a security that has been



Purchased or sold for a client account may not be purchased or sold for an affiliated account during the 3-day period before and after the client purchase or sale date.

All principal individuals and/or employees of Gragg Financial are required to comply with all applicable federal and state securities laws, rules and regulations. Adviser's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. If any person of Gragg Financial violates Gragg Financial's internal controls and/or the applicable federal or state laws, rules & regulations, then that person will be subject to disciplinary action ranging from verbal reprimand to termination of employment, depending on the nature, seriousness, and repetition of the violation.

Gragg Financial clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jay Gragg, Chief Compliance Officer at (704) 482.2001 or [jay@graggfinancial.com](mailto:jay@graggfinancial.com).

## **Item 12 – Brokerage Practices**

Because Gragg Financial does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid, clients must direct Gragg Financial as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that Gragg Financial may not have the authority to negotiate commissions or volume discounts, and the best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients.

Gragg Financial participates in the Fidelity Institutional Wealth Services (FIWS) which is offered to independent investment advisers by Fidelity Investments, a FINRA registered broker-dealer. Gragg Financial utilizes the services of Fidelity Institutional Wealth Services (FIWS) program sponsored by Fidelity Brokerage Services, LLC (Fidelity). While there is no direct linkage (except in certain circumstances) between the investment advice given to clients and Gragg Financial's participation in the FIWS program, economic benefits that are received by Gragg Financial would not be received if Gragg Financial did not give investment advice to clients. These benefits include: a dedicated trading desk that services FIWS participants exclusively, a dedicated service group and an account services manager dedicated to Gragg Financial accounts, access to a real-time order matching system, electronic download of trades, balances and positions in FIWS's portfolio management software, access, for a fee, to an electronic interface with FIWS's software, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), a quarterly newsletter, access to Fidelity mutual funds, access to [FidelityWealthScape.com](http://FidelityWealthScape.com), a Fidelity Brokerage information web site, access to over 6000 mutual funds NOT affiliated with Fidelity, and the ability to have loads waived for Gragg Financial clients who invest in certain Fidelity loaded funds, when certain conditions are met and maintained.

Clients in need of brokerage or custodial services will have Fidelity Investments recommended to them. As part of the FIWS program, Gragg Financial receives benefits that it would not receive if it did not offer investment advice.

Gragg Financial has the policy to make whole all accounts that have trading errors. In the event that the trading error causes the account to increase in value, Gragg Financial will not penalize the account for the trading error and will leave all increases in the account.

Gragg Financial may, from time to time, aggregate client trades using Block Orders. If this strategy is used, all clients within the aggregate filled trade will receive the same price. Aggregate trades are used to move in and out of a particular investment quickly which could improve the execution of the trade.

**Financial Planning - Consulting:** These clients will be required to select their own broker-dealers and insurance companies for the implementation of financial planning and/or consulting recommendations. Gragg Financial may recommend any one of several brokers (including, but not limited to Fidelity

Investments). Gragg Financial clients must independently evaluate these brokers before opening an account. The factors considered by Gragg Financial when making this recommendation are the broker's ability to provide professional services, Gragg Financials' experience with the broker, the broker's reputation, and the broker's financial strength, among other factors. Gragg Financials' financial planning and/or consulting clients may use any broker/dealer of their choice.

**Seminars:** Due to the nature of this service, Gragg Financial does not recommend broker-dealers to these clients.

**Class Action & Legal Proceedings:** Advisor does not accept responsibility for assisting or acting on a client's behalf with filings for class action or other legal proceedings.

### **Item 13 – Review of Accounts**

**Portfolio Management:** Portfolios are reviewed on a continuous and regular basis. Portfolio management accounts are formally reviewed in their entirety initially upon engagement and quarterly, semi-annually, or annually, as contracted for at the inception of the advisory relationship. Periodic reviews of accounts are conducted on a weekly or monthly basis to accommodate additions to cash, unusual price movements, and any investment objective change by the client. These clients will receive monthly and/or quarterly statements from their broker-dealer/custodian. Gragg Financial will provide these clients with reports as contracted for at the inception of the advisory relationship.

**Financial Planning - Consulting:** These client accounts are reviewed as contracted for at the inception of the advisory relationship.

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

Gragg Financial neither accepts nor pays referral fees. Gragg Financial is also a Certified Public Accounting Firm actively involved in personal financial counseling and traditional income tax and accounting services.

### **Item 15 – Custody**

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

### **Item 16 – Investment Discretion**

Gragg Financial usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and number of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Any limitations on this discretionary authority shall be included in this written authority statement.

Clients may change/amend these limitations as required. Investment guidelines, restrictions and any amendments shall be submitted in writing.

When selecting securities and determining amounts, Gragg Financial observe the investment policies, limitations and restrictions of the clients for which it advises.

### **Item 17 – Voting *Client* Securities**

Unless the parties otherwise agree in writing, Gragg Financial shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held by an Account. The Client expressly retains the authority and responsibility for, and Gragg Financial is expressly precluded from rendering any advice or taking any action with respect to, the voting of any such proxies.

If the account is maintained on behalf of a plan subject to the Employee Retirement Income Security Act of 1974 (“ERISA”) or similar government regulations, Client represents regardless of the plan document, that the Client expressly retains the authority and responsibility for, and Gragg Financial is expressly precluded from rendering any advice or taking any action with respect to, the voting of such proxies.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Gragg Financials’ financial condition. Gragg Financial has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

Gragg Financial will not require payment of advisory fees six months or more in advance and in excess of \$500.