

# Carlsbad Wealth Advisory Group, Inc. Client Brochure

*This brochure provides information about the qualifications and business practices of Carlsbad Wealth Advisory Group, Inc.. If you have any questions about the contents of this brochure, please contact us at (760) 607-0812 or by email at: [contactus@carlsbadwealth.com](mailto:contactus@carlsbadwealth.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 Carlsbad Wealth Advisory Group, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Carlsbad Wealth Advisory Group, Inc.'s CRD number is: 146587*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Heather Morgan-Wildonger Sontag has joined Carlsbad Wealth Advisory Group as a Financial Planner.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

This firm has been in business since March 4, 2008, and the principal owners are David Larkin George and Andrew Phillip Sontag.

### **B. Types of Advisory Services**

Carlsbad Wealth Advisory Group, Inc. (hereinafter "CWAG") offers the following services to advisory clients:

#### ***Investment Supervisory Services***

CWAG offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. CWAG creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

CWAG evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. CWAG will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are reviewed and agreed upon with every client before implementation.

#### ***Financial Planning***

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

In offering financial planning, a conflict exists between the interests of the investment adviser and the interests of the client. The client is under no obligation to act upon the investment adviser's recommendation, and, if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser. This statement is required by California Code of Regulations, 10 CCR Section 260.235.2.

### ***Services Limited to Specific Types of Investments***

CWAG limits its investment advice and/or money management to ETFs, mutual funds, equities, bonds, fixed income, debt securities, no-load annuities, and government securities. CWAG may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

CWAG offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent the client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent CWAG from properly servicing the client account, or if the restrictions would require CWAG to deviate from its standard suite of services, CWAG reserves the right to end the relationship.

### **D. Wrap Fee Programs**

CWAG does not participate in wrap fee programs.

### **E. Amounts Under Management**

CWAG has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$166,650,569.43	\$0.00	12/31/2019

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
First \$500,000	1.00%
Next \$2,500,000	0.75%
Amounts greater than \$3,000,000	0.50%

These fees are rarely negotiable and the final fee schedule is noted on the Investment Advisory Contract. Fees are paid quarterly in arrears, and clients may terminate their contracts with seven days' written notice. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate their accounts without penalty within 20 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization. Lower fees for comparable services may be available from other sources.

In cases where Advisor fee are directly deducted, Advisor is required to a.) Obtain client authorization, b.) Send a copy of the invoice to the client at the same time that the IA directs invoice to the custodian for payment, c.) Disclose that the custodian will send quarterly invoices to the client wherein Advisor fees are itemized.

#### *Financial Planning Fees*

##### *Hourly Fees*

For services not covered by Investment Supervisory Services Fees, the hourly fee is \$350. The fees are rarely negotiable and the final fee schedule is noted on the Investment Advisory Contract. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary. Clients may terminate their contracts without penalty within 20 business days of signing the advisory contract.

### B. Payment of Fees

#### *Payment of Investment Supervisory Fees*

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in arrears.

## ***Payment of Financial Planning Fees***

Hourly Financial Planning fees are paid via check in arrears upon completion.

### **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by CWAG. Please see Item 12 of this brochure regarding broker/custodian.

### **D. Prepayment of Fees**

CWAG collects its fees in arrears. It does not collect fees in advance.

### **E. Outside Compensation For the Sale of Securities to Clients**

Neither CWAG nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

CWAG does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

CWAG generally provides investment advice and/or management supervisory services to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Corporations or Business Entities

### ***Minimum Account Size***

CWAG does not have a specific minimum account size, however a minimum quarterly fee may be required if the needs of the client and complexity of the situation is greater than what the client's Investment Supervisory Fees would support.

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

### **A. Methods of Analysis and Investment Strategies**

### *Investment Strategies*

CWAG uses long term trading and covered-call options writing.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **B. Material Risks Involved**

#### *Investment Strategies*

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Covered-Call options writing generally holds a greater risk and clients should be aware that there is a chance of material risk of loss using any of these strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

CWAG generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize options writing. Options writing generally hold greater risk of capital loss and clients should be aware that there is a chance of material risk of loss using any of those strategies.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

Pursuant to negotiations with the Certified Financial Planning Board, David L. George agreed to suspend his CFP designation from 8/23/2010 to 11/23/2010. This agreement was reached as a result of discussions concerning Mr. George's departure from Ameriprise Financial in March of 2008. After Mr. George's departure from Ameriprise, Ameriprise documented and reported customer complaints to FINRA. The various complaints were investigated by the California Department of Insurance as well as FINRA and no fine, suspension, or disciplinary event resulted other than Mr. George's negotiations with the CFP Board. Mr. George was disappointed with Ameriprise's conduct during and after his departure.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither CWAG nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither CWAG nor its representatives are registered as a FCM, CPO, or CTA.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither CWAG nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

All material conflicts of interest Under Section 260.238 (k) of the Corporations Code are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonable expected to impair the rendering of unbiased and objective advice.

### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

CWAG does not utilize nor select other advisors or third party managers. All assets are managed by CWAG management.

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

### **A. Code of Ethics**

CWAG has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance,

Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

## **B. Recommendations Involving Material Financial Interests**

CWAG does not recommend that clients buy or sell any security in which a related person to CWAG has a material financial interest.

## **C. Investing Personal Money in the Same Securities as Clients**

Representatives of CWAG may buy or sell securities for themselves that they also recommend to clients. CWAG will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of CWAG may buy or sell securities for themselves at or around the same time as clients. CWAG will not trade non-mutual fund or non-ETF securities 5 days prior to or 5 days after trading the same security for clients.

# **Item 12: Brokerage Practices**

## **A. Factors Used to Select Custodians and/or Broker/Dealers**

Advisor may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab Advisor Services"), a registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. Advisor and Schwab Advisor Services are separate, unaffiliated entities. Schwab Advisor Services provides Advisor with access to its institutional trading and operations services typically not available to Schwab's retail customers. These services generally are available to independent investment advisory firms at no charge to them so long as a total of at least \$10 million of the advisor's clients' account assets are maintained at Schwab Advisor Services. Schwab Advisor Services include brokerage, custody, research, access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Schwab Advisor Services also makes available to Advisor other products and services that benefit Advisor. Some of these other products and services assist Advisor in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as balances, positions and transactions, as well as trade confirmations

and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Advisor's fees from its clients' accounts, and assist with back-office support, record keeping and client reporting. Many of these services generally may be used to service all or a substantial number of Advisor's accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services may also provide Advisor with other services intended to help Advisor manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing.

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

Schwab Advisor Services also provides various products, services and other benefits to Advisor at no cost or a reduced cost based upon Advisor's commitment that Advisor's clients will place or maintain a specified dollar amount of assets in accounts with Schwab Advisor Services within a specified period of time. Advisor may be influenced by this commitment in recommending or requiring that clients' establish brokerage accounts at Schwab Advisor Services.

The products and services or other benefits provided by Schwab Advisor Services include payments offsetting the fees otherwise payable by Advisor for: (1) software that, among other things, may provide portfolio accounting, performance reporting, and relationship management.

Some of the products, services and other benefits provided by Schwab Advisor Services benefit Advisor and may not benefit Advisor's clients' accounts. Advisor's recommendation that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to Advisor, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

Advisor places trades for its clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Advisor may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that Advisor is more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers.

For Advisor's clients' accounts maintained in custody at Schwab, Schwab generally does not charge separately for custody but is compensated by the account holders through commissions or other fees related to transactions and/or assets held in the client accounts.

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

CWAG receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

CWAG will not allow clients to direct CWAG to use a specific broker-dealer to execute transactions. Clients must use CWAG recommended custodian (broker-dealer). Not all investment advisers require their clients to direct brokerage. By requiring clients to use our specific custodian, CWAG may be unable to achieve most favorable execution of client transactions and this may cost clients money over using a lower-cost custodian.

#### **B. Aggregating (Block) Trading for Multiple Client Accounts**

CWAG maintains the ability to block trade purchases across accounts but will rarely do so. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

## **Item 13: Reviews of Accounts**

#### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly by David George and/or Andrew Sontag and/or Heather Sontag. The chief advisors are instructed to review client accounts with regards to their investment policies and risk tolerance levels. All accounts at CWAG are assigned to these reviews.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by David George and/or Andrew Sontag and/or Heather Sontag. There is only one level of review and that is the total review conducted to create the financial plan.

#### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

#### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly a written report detailing the client's account which may come from the custodian.

It is important for clients to carefully review accounts statements sent by the custodian (i.e. Schwab, Fidelity, etc.). Quarterly reports sent by CWAG should be considered secondary to Custodian generated statements. CWAG does its best to ensure a high level of accuracy, however CWAG generated reports may not be error-free.

Clients who opt for financial planning are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

CWAG does not receive any economic benefit, directly or indirectly from any third party for advice rendered to CWAG clients.

### **B. Compensation to Non -Advisory Personnel for Client Referrals**

CWAG currently does not compensate any person or entity for client referrals.

## **Item 15: Custody**

While all client assets are held by a qualified custodian, primarily Schwab Advisor Services, CWAG retains third-party disbursement authority for some client accounts via a Standing Letter of Authorization (SLOA). Therefore, CWAG is considered to have custody of client assets. Clients will receive account statements from the custodian and should carefully review those statements.

## **Item 16: Investment Discretion**

For those client accounts where CWAG provides ongoing supervision, the client has given CWAG written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides CWAG discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian.

## **Item 17: Voting Client Securities (Proxy Voting)**

CWAG will accept voting authority for client securities in certain cases. When CWAG does accept voting authority for client securities, it will always seek to vote in the best interests of its clients. Clients may direct CWAG on how to vote client securities by communicating their

wishes in writing or electronically to CWAG. When voting client proxies the investment committee will always hold the interests of the clients above its own interests. Clients of CWAG may obtain the voting record of CWAG on client securities by contacting CWAG at the phone number or e-mail address listed on the cover page of this brochure.

## **Item 18: Financial Information**

### **A. Balance Sheet**

CWAG does not require nor solicit prepayment of client fees, and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither CWAG nor its management have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

CWAG has not been the subject of a bankruptcy petition in the last ten years.

## **Item 19: Requirements For State Registered Advisors**

### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

CWAG currently has two management individuals/executive officers; David Larkin George and Andrew Phillip Sontag. Their education and business background can be found on the Supplemental ADV Part 2B form.

### **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

David Larkin George, Andrew Phillip Sontag, and Heather Morgan-Wildonger Sontag's other business activities can be found on the Supplemental ADV Part 2B form.

### **C. How Performance Based Fees are Calculated and Degree of Risk to Clients**

CWAG does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

#### **D. Material Disciplinary Disclosures for Management Persons of this Firm**

Pursuant to negotiations with the Certified Financial Planning Board, David L. George agreed to suspend his CFP designation from 8/23/2010 to 11/23/2010. This agreement was reached as a result of discussions concerning Mr. George's departure from Ameriprise Financial in March of 2008. After Mr. George's departure from Ameriprise, Ameriprise documented and reported customer complaints to FINRA. The various complaints were investigated by the California Department of Insurance as well as FINRA and no fine, suspension, or disciplinary event resulted other than Mr. George's negotiations with the CFP Board. Mr. George was disappointed with Ameriprise's conduct during and after his departure.

#### **E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

Andrew Sontag is married to Heather Sontag, who is an employee of Solar Turbines Inc. (as subsidiary of Caterpillar Inc.). Heather is considered an insider of Solar Turbines Inc. and Caterpillar Inc. To avoid any chance of conflict, Heather will not work with any client who owns Caterpillar stock and will not provide advice regarding Caterpillar stock.

Neither CWAG, nor its management persons, has any other relationship or arrangement with issuers of securities.