

# Goldstone Financial Group, LLC

## Wrap Fee Program Brochure

*This brochure provides information about the qualifications and business practices of Goldstone Financial Group, LLC. If you have any questions about the contents of this brochure, please contact us at (630) 620-9300 or by email at: [Compliance@goldstonefinancialgroup.com](mailto:Compliance@goldstonefinancialgroup.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 Goldstone Financial Group, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Goldstone Financial Group, LLC's CRD number is: 222520.*

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

Version Date: 3/24/2020

## **Item 1: Material Changes**

The material changes in this brochure from the last annual updating amendment of Goldstone Financial Group, LLC on January 31, 2020 are described below. Material changes relate to Goldstone Financial Group, LLC's policies, practices or conflicts of interests.

- Goldstone Financial Group, LLC has added Fidelity Investments as a custodian
- Goldstone Financial Group, LLC has added a billing method for accounts held with Fidelity Investments

## Item 2: Services Fees and Compensation

Goldstone Financial Group, LLC (hereinafter “GFG”) offers the following services to advisory clients:

### A. Description of Services

GFG participates in and sponsors a wrap fee program, which allows GFG to manage client accounts for a single fee that includes both portfolio management services and brokerage costs. The fee schedule is set forth below:

#### TD Ameritrade:

TD Ameritrade Wrap-Based Account Management Service Fees	
Total Client Assets Under Advisory Management	Total Annual Management Fee
First \$500,000	1.50%
Next \$500,001 to \$1,000,000	1.20%
Next \$1,000,000+	0.95%

#### Fidelity:

Fidelity Wrap-Based Account Management Service Fees			
Total Client Assets Under Advisory Management	Goldstone Annual Management Fee	Sub-Adviser Annual Management Fee	Total Annual Management Fee
First \$500,000	0.85-1.25%	0.25%-0.75%	1.60%
Next \$500,001 to \$1,000,000	0.55-1.05%	0.25%-0.75%	1.30%
Next \$1,000,000+	0.30-0.80%	0.25%-0.75%	1.05%

These fees are negotiable depending upon the needs of the client and complexity of the situation and the final fee schedule is attached as Exhibit II of the client contract. The timing and method of calculating the management fees is dependent on the custodian used. For accounts custodied with TD Ameritrade, fees are taken at the onset of the management of the assets and then billed in advance at the beginning of each quarter. Accounts custodied with Fidelity are billed monthly based on the prior month's assets under management.

Not all models used by GFG are available as a transaction-based managed account. Client should be aware a transaction-based portfolio may be more/less expensive than a wrap-based portfolio when including trading costs. Please review all models, expected trading levels, and applicable fees before investing. Management fees differ on each custodian and certain portfolio models are not available on both platforms. Please note, GFG receives different compensation amounts from each custodian and a potential conflict may exist when recommending a custodian. Please review all fees before selecting a custodian.

For accounts custodied with TD Ameritrade, fees are taken at the onset of the management of the assets and then billed in advance at the beginning of each quarter. Accounts custodied with Fidelity are billed monthly based on the prior month's assets under management.

Refunds for fees paid in advance will be returned within fourteen days to the client via return deposit back into the client's account. For all asset-based fees paid in advance, the fee refunded will be equal to the balance of the fees collected in advance minus the daily rate\* times the number of days elapsed in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee by 365.)

Clients may terminate the contract without penalty, for full refund, within five business days of signing the contract. Thereafter, clients may terminate the contract with thirty days' written notice.

### **B. Contribution Cost Factors**

The program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the program, including the trading activity in the client's account, the adviser's ability to aggregate trades, and execution costs.

### **C. Additional Fees**

Clients who participate in the wrap fee program will not have to pay for transaction or trading fees. However, clients are still responsible for all other account fees, such as annual IRA fees to the custodian and mutual fund fees.

### **D. Compensation of Client Participation**

Neither GFG, nor any representatives of GFG receive any additional compensation beyond advisory fees for the participation of client's in the wrap fee program. However, compensation received may be more than what would have been received if client paid separately for investment advice, brokerage, and other services. Therefore, GFG may have a financial incentive to recommend the wrap fee program to clients.

## **Item 3: Account Requirements and Types of Clients**

GFG generally provides its wrap fee program services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals

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

There is an account minimum of \$50,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

## **Item 4: Portfolio Manager Selection and Evaluation**

### **A. Selecting/Reviewing Portfolio Managers**

GFG may utilize sub-advisers or recommend clients utilize third-party money managers. Before recommending other advisors for clients, GFG will always ensure those other advisors are properly licensed or registered as investment advisor. GFG offers clients sub- advised portfolios in its wrap fee program, which are managed by separate account managers or through a sub-adviser that GFG engages on its behalf and are further described in Item 8A of Form ADV Part 2A brochure: Adhesion Wealth Advisors, AE Wealth Management, Optimus Advisory Group, W.E Donohue, Zega Financial, LLC.

#### ***1. Standards Used to Calculate Portfolio Manager Performance***

The performance of each manager will be compared to securities industry benchmarks. Such as the S&P 500 and other comparable peer group benchmarks.

#### ***2. Review of Performance Information***

GFG reviews the performance information to determine and verify its accuracy and compliance with presentation standards. The performance information is reviewed quarterly and is reviewed by GFG.

### **B. Related Persons**

No related persons act as a portfolio manager for the wrap fee program as described in this brochure. As such, there are no conflicts of interest with related persons and ACM will not select any related persons as portfolio managers for this wrap fee program.

### **C. Advisory Business**

GFG offers portfolio management services to its wrap fee program participants as discussed in Section 4 above.

#### ***Wrap Fee Portfolio Management***

GFG offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. GFG 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

GFG evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

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

GFG 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.

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

GFG generally limits its investment advice to mutual funds, fixed income securities, real estate funds (including REITs), equities, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds and non-U.S. securities. GFG may use other securities as well to help diversify a portfolio when applicable.

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

GFG offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each 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 GFG from properly servicing the client account, or if the restrictions would require GFG to deviate from its standard suite of services, GFG reserves the right to end the relationship.

### ***Wrap Fee Programs***

GFG sponsors and acts as portfolio manager for this wrap fee program. GFG manages the investments in the wrap fee program but does not manage those wrap fee accounts any differently than non-wrap fee. The fees paid to the wrap account program will be given to GFG as a management fee.

### ***Amounts Under Management***

GFG has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$ 138,927,964.96	\$0.00	As of 12/31/2019

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

GFG's methods of analysis include charting analysis, fundamental analysis, technical analysis, cyclical analysis, and modern portfolio theory.

**Charting analysis** involves the use of patterns in performance charts GFG uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data, primarily price and volume.

**Cyclical analysis** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Modern portfolio theory** is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets.

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

**Any investment strategy used may result in the loss of principal.**

**Past performance is not indicative of future results.**

### *Material Risks Involved*

**Charting analysis** strategy involves using and comparing various charts to predict long and short-term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be assuming past performance will be indicative of future performance. This is not the case.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles these investors are trying to exploit.

**Modern Portfolio Theory** assumes that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### *Risks of Specific Securities Utilized*

GFG 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 use margin transactions. Margin transactions generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Fixed Income** is an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy).

**Real Estate** funds face several kinds of risk that are inherent in this sector of the market. Liquidity risk, market risk and interest rate risk are just some of the factors that can influence the gain or loss that is passed on to the investor. Liquidity and market risk tend to have a greater effect on funds that are more growth-oriented, as the sale of appreciated properties depends upon market demand. Conversely, interest rate risk impacts the amount of dividend income that is paid by income-oriented funds.

**Long-term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability and inflation.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral.

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

**Any investment strategy used may result in the loss of principal.**

**Past performance is not indicative of future results.**



## **Voting Client Proxies**

GFG will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 5: Client Information Provided to Portfolio Managers**

GFG is the portfolio managers for this wrap fee program. All client information that is collected, including basic information, risk tolerance, sophistication level, and income level will be collected by GFG. As that information changes and is updated, GFG will have immediate access to that information once collected. This information is not currently shared with portfolio managers.

## **Item 6: Client Contact with Portfolio Managers**

GFG places no restrictions on client ability to contact its portfolio managers. GFG's representatives, Michael August Pellegrino and Anthony Pellegrino can be contacted during regular business hours and contact information is on the cover page of the individual's Form ADV Part 2B brochure supplement.

## **Item 7: Additional Information**

### **A. Disciplinary Action and Other Financial Industry Activities**

#### ***Criminal or Civil Actions***

There are no criminal or civil actions to report.

#### ***Administrative Proceedings***

There are no administrative proceedings to report.

#### ***Self-Regulatory Organization Proceedings***

There are no self-regulatory organization proceedings to report.

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

Neither GFG nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

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

Neither GFG nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### ***Outside Business Activities independent to this Advisory Business and Possible Conflicts of Interests***

The Investment Advisory Representatives (IARs) of GFG are independent licensed insurance agents, and from time to time, will offer clients advice or products from those activities. Insurance sales conducted through these IARs are independent and not considered advisory services of GFG. These insurance products are considered separate from GFG and outside of the advisory services offered by GFG and its IARs. The client should be aware these products and services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. Clients are in no way required to utilize the services of any representative of GFG in connection with such individual's activities outside of GFG.

Advisor Excel is an Insurance Marketing Organization (IMO) located in Topeka, Kansas. GFG is aligned with Advisors Excel who supports GFG in annuity and life insurance sales.

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

Sub-advisers and managers used by GFG will receive a portion of management fees assessed to the client's account.

## **B. Code of Ethics, Client Referrals, and Financial Information**

Advisor participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions.

Advisor receives some benefits from TD Ameritrade through its participation in the program.

As disclosed above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

### ***Code of Ethics***

GFG 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. GFG's Code of Ethics is available free upon request to any client or prospective client.

### ***Recommendations Involving Material Financial Interests***

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

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

From time to time, representatives of GFG may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of GFG to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. GFG will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

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

From time to time, representatives of GFG may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of GFG to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, GFG will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

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

Client accounts are reviewed at least quarterly by Jeff Weglarz, or designated compliance associate. Jeff Weglarz is the Chief Compliance Officer and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at GFG are assigned to this reviewer or designated compliance associate.

### ***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).

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

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

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

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

### ***Compensation to Non – Advisory Personnel for Client Referrals***

GFG does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### ***Balance Sheet***

GFG does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

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

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

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

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