

# **WEALTH MANAGEMENT GROUP, LLC**

*Making your wealth work for you*

## **Form ADV Part 2A Investment Advisor Brochure**

### ***Cover Page***

|                                  |  |
|----------------------------------|--|
| Registered Investment Advisor    | <b>Wealth Management Group, LLC</b>  |
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| Phone Number                     | <b>(214) 644-2560</b>  |
| Website Address                  | <a href="http://www.wealthmanagementgroupllc.com">www.wealthmanagementgroupllc.com</a>   |
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| Date of Brochure as Last Revised | <b>January 31, 2020</b>  |

This Form ADV Part 2A (Investment Advisor Brochure) gives information about the investment advisor and its business for the use of clients and prospective clients. If you have any questions about the contents of this brochure, please contact us using one of the methods listed above. 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. Registration is mandatory for all persons meeting the definition of investment advisor and does not imply a certain level of skill or training.

Additional information about our firm is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### ***Material Changes***

The purpose of this section is to discuss only material changes since the last brochure for Wealth Management Group Investment Advisor Brochure.

The date of the last annual update was March 18, 2019.

#### **Summary of Material Changes:**

- Wealth Management Group receives no research, product, or services other than execution from a broker-dealer or third-party in connection with client securities transactions (“soft dollar benefits”). (Item 12)
- Wealth Management Group receives economic benefits such as research, access to software, etc. via the custodian and other third parties for advice rendered to clients.

#### **Delivery:**

Within 120 days of our fiscal year end we will deliver our annual Summary of Material Changes if there have been material changes since the last annual updating amendment.

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## ***Advisory Business***

Robert S. Rothe, CFP® is the Founder and President of Wealth Management Group, LLC. Mr. Rothe has been in the financial services industry since 1979. He was co-owner of Fortune Financial Services, LLC from 1994 until 2011 when he started Wealth Management Group.

## **Advisory Services**

Wealth Management Group offers to provide the following services.

**1) Portfolio Management:** Wealth Management Group uses asset allocation to create a portfolio of mutual funds, exchange traded funds (“ETFs”), variable annuities, and/or individual securities (stocks and bonds). Each portfolio is managed based on the risk tolerance and investment objectives of the client. We believe that every client is unique. None of our clients have identical portfolios. The investments are monitored on an ongoing basis. Portfolio performance is reviewed on a quarterly basis at a minimum and portfolios are rebalanced as appropriate. Portfolio Management is a component of wealth enhancement.

As of December 31, 2019, Wealth Management Group has \$169,914,158 of assets under management.

An initial interview and data gathering questionnaire is undertaken to determine the client's financial situation and investment objectives, and to give the client the opportunity to impose reasonable restrictions on the management of their portfolio. Clients have the ability to leave standing instructions with the IA Representative to refrain from investing in particular securities or types of securities, or invest in limited amounts of securities. Quarterly the IA Rep will notify the client in writing to contact the IA Rep if there have been any changes in the client's financial situation or investment objectives, or to impose or modify account restrictions. The IA Rep will contact or attempt to contact the client annually on these matters. It is the client's responsibility to notify the IA Rep at any time there are changes. Clients may call in at any time during normal business hours to discuss directly with the IA Rep about the client's account, financial situation, or investment needs. Clients will receive from the custodian or brokerage firm timely confirmations and at least quarterly statements containing a description of all transactions and all account activity. The client will retain rights of ownership of all securities and funds in the account to the same extent as if the client held the securities and funds outside the program. In addition to custodial statements, Wealth Management Group sends quarterly reports to the client.

**2) Financial Plan:** Wealth Management Group provides financial planning consistent with the individual client's financial and tax status and risk/reward objectives. Planning may be comprehensive or segmented and focus on investments, insurance, taxes, and/or estate plans.

**3) Consultations:** Consultations are available to discuss investments, insurance, taxes, and/or estate plans.

## ***Fees and Compensation***

Fees for a **Financial Plan** or **Consultations** are based on hourly fees up to \$250 per hour. (The actual fee is a negotiated rate.) Fees are payable at the time of the delivery of the plan or consultation.

Fees for **Portfolio Management** are computed at an annualized percentage of assets under management on a sliding scale. The schedule reflects the maximum rate at each breakpoint.

| <b>Portfolio Size</b>        | <b>Maximum Annual %</b> |
|------------------------------|-------------------------|
| \$0 to \$500,000             | 1.00%                   |
| \$500,001 to \$1,000,000     | 0.85%                   |
| \$1,000,001 to \$5,000,000   | 0.70%                   |
| \$5,000,001 to \$10,000,000  | 0.55%                   |
| \$10,000,001 to \$20,000,000 | 0.45%                   |
| \$20,000,001 and up          | 0.35%                   |

These fees are for advisory services only and do not include any transaction fees or commissions, which may be charged separately by the broker/dealer custodial firm. See the section heading Brokerage Practices for more information.

The fee for Portfolio Management will be payable quarterly in arrears. The first payment is assessed and due at the end of the first calendar quarter and will be assessed pro rata in the event the Agreement is executed at any time other than the first day of the current calendar quarter. Subsequent payments are due and will be assessed on the first day after the end of each calendar quarter based on the value of the account assets under supervision as of the close of business on the last business day of that quarter.

Payment of fees may be paid directly by the client by check, or the client may authorize the custodian holding client funds and securities to deduct Wealth Management Group advisory fees directly from the client account in accordance with statements prepared and submitted to the custodian by Wealth Management Group. The custodian will provide periodic account statements to the client. Such statements will reflect all fee withdrawals by Wealth Management Group. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

Fees are negotiable for a Financial Plan, Consultations, and/or Portfolio Management. After consultation with the client, the IA Rep determines the fee. We consider factors such as; previous/existing client relationships, size of the account, commissions previously paid to the IA Rep, and employee or employee-related accounts. We sometimes provide services on a pro-bono basis to needy individuals and certain non-profit organizations.

Mutual funds recommended under advisory services will be "no-load" or "load-waived."

Wealth Management Group is not a "fee only" advisor because some of our IA reps are licensed to sell insurance. However, we can structure our arrangements with the client so that we are paid a fee only. Fees are not collected for services in advance.

In addition to fees paid to Wealth Management Group for advisory services with respect to clients' investments in mutual funds and/or variable annuities (collectively "funds"), clients pay additional fees on the fund investment because the funds also pay advisory and/or management fees to an investment

advisor. All internal fees charged by the fund company are disclosed in the fund prospectus, which is provided to each client by the custodian. Fees charged by a variable annuity are generally higher because of the contract provisions.

For a Financial Plan or Consultations, either party may terminate the Agreement at any time upon immediate written notice and Client will be billed based on time and effort expended before termination. The Agreement for the Financial Plan or Consultation terminates upon delivery of the Plan or Advice. At this time, all outstanding balances will be due and payable.

For Portfolio Management, services will continue until either party terminates the Agreement upon immediate written notice. If termination occurs prior to the end of a calendar quarter, fees will be due on a pro-rata basis in accordance with the fee payment clause.

The Advisory Agreement contains a pre-dispute arbitration clause. Client understands that the agreement to arbitrate does not constitute a waiver of the right to seek a judicial forum where such a waiver would be void under the federal securities laws. Arbitration is final and binding on the parties.

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

Wealth Management Group does not charge performance-based fees, which is based on capital gains in the client account.

### ***Types of Clients and Account Minimums***

Wealth Management Group provides advisory services to individuals, high net worth individuals, charitable organizations, pension and profit sharing accounts and other ERISA accounts, trusts, estates, and business entities.

The recommended minimum portfolio (account) size is \$250,000. The maximum rate to be charged any account is 1% as indicated on the fee schedule.

There is no minimum for clients requiring financial planning services.

### ***Methods of Analysis, Investment Strategies, and Risk of Loss***

Wealth Management Group analyzes investments using independent third-party research reports and databases, information gathered from the mutual fund and annuity companies and various broker/dealers, and other readily available public information such as annual reports and news releases. These sources may evaluate investments on the basis of charting, fundamental, technical, and cyclical analysis. Furthermore, we may at times look at charts. We do not do in-depth research on individual securities, but rely on these independent resources.

Wealth Management Group uses asset allocation strategies for Portfolio Management. We create portfolios of mutual funds, ETFs, variable annuities, and/or individual securities for diversification in accordance with the target portfolio and rebalance portfolios as appropriate. Although we do not normally engage in market timing, we will overweight or underweight certain asset classes, if we believe it is prudent to do so.

By its nature, financial planning looks to the long-term. After the client's short-term cash needs and emergency fund is evaluated, investment and insurance strategies are designed to help the client achieve

his or her financial goals. There is no guarantee that the client will actually meet his or her financial goals. The quality of a Financial Plan is dependent upon the quality of the input provided by the client. If the client provides erroneous or incomplete information, the financial plan may produce inadequate or erroneous recommendations.

While there is risk in all investments, some carry a greater degree of risk or higher costs. There is no guarantee that the investment strategy selected for the client will result in the client's goals being met, nor is there any guarantee of profit or protection from loss. Investing in securities entails risk of loss, which the client must be prepared to bear. For those investments sold by prospectus, clients should read the prospectus in full.

Wealth Management Group is disclosing the following risks and opportunities for our investment strategy and for particular types of securities used:

- Debt securities are subject to (among others) interest rate risk. Many debt securities tend to decline in value when interest rates are rising.
- High yield securities are corporate securities rated below investment grade, which means that there is a greater risk the issuer may default.
- Investing in equities and/or options can involve numerous risks that can result in a significant loss of principal.
- By timing buys and sells, there is no guarantee that our timing will add value. We will sometimes buy investments that go down and are sold at a loss and we will sometimes sell investments that will continue go up after they are sold.
- We overweight or underweight certain asset classes as called for in our target portfolios. There is no guarantee that our weighting will yield results superior to those obtained by not weighting.
- Although we strive to avoid them, we sometimes recognize short-term capital gains. There are tax consequences for short-term trading wherein capital gains are taxed as ordinary income.
- Although we attempt to limit downside risk by using broadly diversified portfolios, in times of extreme fear and pessimism, investors may aggressively sell all but the safest investments to the extent that all other investments are severely declining in value at the same time, thereby greatly reducing the normal benefits of diversification.

### ***Disciplinary Information***

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of its management personnel. Wealth Management Group does not have any such disclosure items.

### ***Other Financial Industry Activities and Affiliations***

Wealth Management Group is not, but some IA Reps of the firm are, insurance agents, and are in the business of selling insurance products. The sale of these products account for approximately 1% of time allocated.

Some IA Reps of the firm are licensed with several life, disability, and other insurance companies. Insurance products offered by these companies may be recommended. If clients purchase these products through us, the IA Rep receives the normal commissions. Thus, a conflict of interest exists between our interests and those of advisory clients, especially if the IA Rep has recommended the purchase of insurance during the financial planning process. The client is under no obligation to purchase products recommended, or to purchase products either through us or through these insurance companies.

Manita Lam is a practicing CPA and operates her independent tax and accounting practice under the name of Manita H. Lam, CPA. This is a separate legal entity from Wealth Management Group. Tax and accounting clients will sign a separate engagement agreement with Manita Lam. Wealth Management Group does not offer tax or accounting services. We may refer and share some of the same clients, but no compensation is paid for referrals. Clients of one firm are not obligated to use the services of the other firm.

### ***Code of Ethics, Participation or Interest In Client Transactions, and Personal Trading***

#### **Code of Ethics**

Wealth Management Group maintains a Code of Ethics. The Code of Ethics sets forth standards of conduct expected of advisory personnel; requires compliance with federal securities laws; and, addresses conflicts that arise from personal trading by advisory personnel. Clients or prospective clients may request a copy of the Code of Ethics free of charge by contacting the person listed on the cover page.

#### **Personal Trading**

At times, Wealth Management Group and/or its IA Reps may take positions in the same securities as clients. We will not violate our fiduciary responsibilities to our clients. Scalping (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

The Code of Ethics requires that employees receive pre-approval before participating in IPOs or private placements. All personal trades are reviewed by the firm, and failure to comply with the firm's policy may result in sanctions including termination of employment.

### ***Brokerage Practices***

#### **Selection or recommendation of broker/dealers**

For Portfolio Management, the services of Raymond James Financial Services Investment Advisor Division ("Raymond James") are recommended as the primary account custodian and broker/dealer to enact trades. We have selected this service provider as the platform for our fee-based clients due to the discounted trading costs and execution services provided to our clients and us. Clients may pay transaction fees to Raymond James for the purchase of "no-load" funds and other securities. Raymond James provides the clients with consolidated statements.

In some instances, mutual funds or annuities will be held direct by the securities issuer in a separate account for Client under Client's name.

Wealth Management Group is not affiliated with Raymond James, or other securities issuers acting as custodian. IA Reps of our firm are not Registered Representatives of these firms, and do not receive any commissions or fees from recommending these services.

See additional disclosure under Directed Brokerage regarding use of other custodians.

### Soft Dollar Practices

Wealth Management Group receives no research, product, or services other than execution from a broker-dealer or third-party in connection with client securities transactions (“soft dollar benefits”).

The amount of assets that Wealth Management Group places with a custodian affects not only the services provided to Wealth Management Group but also the fees and costs that the custodians charge the clients. This causes us to recommend only a very small number of custodians.

### Directed Brokerage

If a client has an account with a broker/dealer other than the firm recommended by Wealth Management Group, we may provide investment management services within the existing account. It is up to the client to negotiate the commission rate, as Wealth Management Group will not. The client may not be able to negotiate the most competitive rate. As a result, the client may pay more than the rate available through Raymond James. Wealth Management Group will only enact trades with the brokerage firm where the account is held. Therefore, the client cannot direct us to trade with a broker/dealer other than the one where their account is held. Where the client does not otherwise designate a broker/dealer, Wealth Management Group recommends a broker/dealer with competitive commission rates.

### Trade Aggregation

While individual client advice is provided each account, client trades may be executed as a block trade. Wealth Management Group encourages its existing and new clients to use the firm’s primary custodian – Raymond James. Only accounts in the custody of Raymond James would have the opportunity to participate in aggregated securities transactions. No advisory account within the block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price. Wealth Management Group will not aggregate a client's order if in a particular instance Wealth Management Group believes that aggregation would cause the client's cost of execution to be increased. Raymond James will be notified of the amount of each trade for each account. Wealth Management Group and/or its IA Reps may participate in block trades with clients, and may also participate on a pro rata basis for partial fills, but only if clients receive fair and equitable treatment.

### ***Review of Accounts and Reports on Accounts***

#### Reviews

For Portfolio Management, Wealth Management Group monitors the individual investments within client accounts and the asset allocation on an ongoing basis. Portfolio performance is reviewed on a quarterly basis at a minimum. Wealth Management Group offers Portfolio Management clients an in-person portfolio review meeting on a quarterly basis.

A Financial Plan is a snapshot in time and no ongoing reviews are conducted. We recommend that financial planning clients engage us to update the Financial Plan when any significant changes occur in their personal or financial situation.

The account reviews are performed by the client’s IA Rep. Robert Rothe and other designated compliance staff monitor the portfolios and financial plans for investment objectives and other supervisory review.



### Reports

All clients receive standard account statements directly from investment sponsors and brokerage firms. Portfolio Management clients receive a written quarterly performance report from Wealth Management Group.

### ***Client Referrals & Other Compensation***

#### Economic Benefits

Wealth Management group receives economic benefits such as research, access to software, etc. via the custodian and other third parties for advice rendered to Wealth Management Group clients.

#### Referral Fees Paid

Wealth Management Group does not compensate for client referrals except for WMG employees. Salaries and bonuses paid to employees are often directly and/or indirectly affected by new clients that the employee introduces to the firm.

#### Referral Fees Received

Wealth Management Group does not have agreements with other Registered Investment Advisors.

### ***Custody***

Although client assets are held at a third-party independent custodian, Wealth Management Group is deemed to have custody of client funds solely because of the fee deduction authority granted by the client in the Advisory Agreement. Except for this fee deduction, we do not have authority to withdraw funds out of client accounts without the written authorization from the client on file with the custodian. Custody is also disclosed in Form ADV because Wealth Management Group has authority to transfer money from client account(s), which constitutes a standing letter of authorization (SLOA). Accordingly, Wealth Management Group will follow the safeguards specified by the SEC rather than undergo an annual audit.

Clients will receive account statements at least quarterly from the broker/dealer or other qualified custodian. Clients are urged to compare custodial account statements against statements prepared by Wealth Management Group for accuracy. Minor variations may occur because of reporting dates, accrual methods of interest and dividends, and other factors. The custodial statement is the official record of your account for tax and other purposes.

### ***Investment Discretion***

Wealth Management Group maintains full discretion under a limited power of attorney as to the securities and amount of securities. Clients may place any reasonable restrictions on the management of their accounts.

Wealth Management Group will not have authority to withdraw funds or to take custody of client funds or securities, other than under the terms of the Fee Payment Authorization clause in the Advisory Agreement with the client. The client will designate the broker/dealer to be used for trading and custodial services.

Wealth Management Group does not have the ability to discount brokerage commissions on individual trades with Raymond James. The commissions paid to Raymond James by the client are competitive, already discounted and are set by Raymond James based, in part, on the amount of assets that Wealth Management Group has placed with Raymond James.

### ***Voting Client Securities***

Wealth Management Group does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian by email or USPS. Questions about proxies may be made via the contact information on the cover page.

### ***Financial Information***

An investment advisor must provide financial information if a threshold of fee prepayments is met; there is a financial condition likely to impair the ability to meet contractual commitments; or, has filed for bankruptcy within the past ten years. Wealth Management Group does not have any disclosure items in this section.