

Smith, Brown and Groover, Inc. d/b/a SBG Wealth Management

Form CRS

August 27, 2024

SBG Wealth Management, also known as Smith, Brown & Groover, Inc. is registered with the Securities and Exchange Commission as a Broker-Dealer and as a Registered Investment Advisor. Brokerage Services and Investment Advisory Services are different and fees differ for each service. It is important for you to understand the differences.

SBG Wealth Management is regulated by both FINRA (Financial Industry Regulatory Authority) and the SEC (Securities and Exchange Commission). We are also a member of SIPC (Securities Investor Protection Corporation). Details regarding FINRA and SIPC are available on our website, [SBGWealth.com](https://www.sbgwealth.com) by clicking on the links for Broker Check and SIPC.

Free and simple tools are available to research firms and financial professionals at www.Investor.gov/CRS. The site provides educational materials about broker-dealers, investment advisors, and investing.

Conversation Starter: You might want to ask, “What investment services and advice can you provide me?”

Description of Services: We offer both Brokerage Services and Investment Advisory Services to *retail investors like yourself*. Although we continue to offer Brokerage Services to our clients, the majority of the accounts opened in the last several years are Investment Advisory accounts (Managed Accounts). Managed Accounts are fee-based with no commissions to buy or sell securities. We manage these accounts on a fully discretionary basis, meaning we do not call and ask if we can buy or sell a security in your account. All Managed Accounts are held at National Financial Services (NFS), our clearing firm and a subsidiary of Fidelity Investments. Managed accounts require a \$50,000 minimum initial investment. Exceptions may be granted upon approval.

We offer four different types of Managed Accounts with the first three primarily holding common stocks. They have three different investment objectives: Growth, Growth and Income, and Income and Growth. Each is reviewed on a regular basis (at least quarterly). In addition, we offer a managed Mutual Fund and Exchange Traded Funds (ETFs) account held at NFS. Within this account, we use no-load or institutional shares. With all of the above accounts, we take discretion through a signed discretionary trading agreement and we charge a management fee of 1% per year (.25% per quarter). This agreement remains in effect until cancelled in writing by either party at any time.

No commission is generated by placing a trade in a Managed Account, so the primary purpose of trading the account is to make the account increase in value. If your account grows, our fees grow. We have a simple management fee of 1% per year on the account balance, payable quarterly by multiplying the account balance at the end of each quarter by .25%. The fee is taken out of the account, so you will not have to write a check. Additionally, Registered Representatives that are not Investment Advisors receive 50% of the management fee as compensation for referring Managed Accounts. This may create a conflict of interest on the part of the Registered Representative.

In addition to Managed Accounts, SBG offers Brokerage Services on a commission basis. These accounts are also held at our clearing firm (NFS). Trades are placed only after discussing the recommended activity with the client and getting their permission. These accounts are not actively monitored or managed. We charge a commission on each trade equal to our cost to place the trade. A significant number of these accounts are what we call “Legacy Accounts” that hold one or more positions which the client does not wish to sell. These are generally older positions with large gains or inherited positions.

A *retail investor* in a non-managed brokerage account is charged more when there are more trades in his or her account. A firm might therefore have an incentive to encourage a *retail investor* to trade frequently. To address this conflict, we have reduced our trading commissions to equal our cost in order to eliminate any incentive to increase trading volume.

If investments are “Held Direct” (there is an account opened at a mutual fund company or an insurance company), these accounts are reviewed regularly and managed by the broker. In some cases, they are managed on a discretionary basis by having the client execute a discretionary trading agreement. There is no charge for this service because we receive a trail commission from the respective investment firm for handling the account. In most cases, the trail commission we receive is 1% per year on the account balance.

For additional information regarding our services, please visit our website at www.SBGWealth.com.

Conversation Starter: You might want to ask, “Given my financial situation, should I choose an investment advisory service or a brokerage service? Should I choose both types of services? Why or why not?”

“How will you choose investments to recommend to me?”

“What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?”

“What fees will I pay?”

The fees you pay depend on whether you choose Investment Advisory Services, Brokerage Services, or a combination of both.

For Managed Accounts we have a very simple fee structure: 1% annual fee charged, .25% per quarter on the balance in your account. On retirement accounts, an additional annual custodial fee is charged by NFS. We do not receive any portion of that fee. No commissions are charged.

You may also incur miscellaneous fees charged by the account custodian such as wire fees, transfer fees, regulatory fees or fees and expenses included in the expense ratio of certain investments, including mutual funds and ETFs.

It should be noted that the more assets there are in a *retail investor's* advisory account, the more a *retail investor* will pay in fees. Therefore, SBG has an incentive to encourage *you* to increase the assets in your account. The larger your account, the more we make. This *could* be viewed as a conflict of interest.

For Brokerage Services, we have attempted to minimize any conflict of interest involving non-managed accounts at NFS. We charge an amount per trade, which is our actual cost of placing the trade. The broker handling your account does not receive any part of the charge as compensation.

Mutual Funds and Annuities (Insurance Products):

For all mutual fund and annuity accounts held away (not at NFS), compensation to the broker is capped, regardless of what the product pays to the firm. These products may also pay a trail commission after the first

year. The broker could make higher compensation by recommending one of these products over another product or account. Some of these products are much more complicated and take more upfront work on the part of the advisor. However, since there could be an increase in compensation by recommending this type of product, this *could* cause a conflict of interest.

Common Fees and Costs:

Within Managed Accounts, the only fee SBG Wealth Management charges is the 1% management fee.

For Brokerage Service accounts, an annual fee may be charged in addition to trading fees.

Mutual Funds often have a management fee of 0% to 3%, depending on the type of account. As an example, the expense ratios of international equity funds are higher than a domestic bond fund. In addition, if the account is a retirement account, the fund company will typically charge an administrative/custodian fee to hold the account.

Annuities issued by insurance companies, have a management fee as described above, as well as mortality and expense fees. The insurance companies also charge additional fees for any living or death benefit riders. They also often charge an annual policy fee. See your prospectus for specific charges.

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

Conversation Starter: You may want to ask, “Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?”

“What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment advisor?”

“How else does your firm make money and what conflicts of interest do you have?”

Standard of Conduct:

When we provide you with a recommendation, we have to act in your best interest and not put our interests ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should ask us about these conflicts because they can affect the recommendations we provide to you. Here are some examples to help you understand what this means.

Conflicts of Interest:

Proprietary Products: SBG Wealth Management offers Managed Accounts that are controlled and managed by our firm. As such, we have an incentive to recommend (or to invest your assets in) those products over third-party products.

Third-Party Payments: We receive payments from third party product sponsors and managers (or their affiliates) when we recommend or sell certain products. As such, we have an incentive to recommend (or to invest your assets in) products of third parties that pay us over products of third parties that do not pay us, or pay us less.

Revenue Sharing: Certain managers and sponsors (or their affiliates) share the revenue they earn when you invest in certain of their investment products (primarily mutual funds and variable annuities) with us. As such, we have an incentive to recommend (or to invest your assets in) products of sponsors and managers that share

their revenue with us, over other products of sponsors or managers that do not share their revenue, or who share less.

Principal Trading: We may buy or sell securities to you for our own account. Because we earn compensation (such as commission equivalents, mark-ups, mark-downs, and spreads) and can receive other benefits in principal transactions, we have an incentive to trade with you on a principal basis and to recommend securities that we hold in inventory.

Our primary conflict of interest is encouraging a retail customer to move their money to SBG Wealth from another manager or investment firm. We would rather your money be invested with us than anywhere else. This creates a conflict because it would increase our income by increasing our assets under management.

Conversation Starter: You might want to ask, “How might your conflicts of interest affect me, and how will you address them?”

For additional information, please see SBG Wealth Management’s ADV Part 2A on our website, www.SBGWealth.com.

“How do your financial professionals make money?”

The Registered Representatives at SBG Wealth Management are independent contractors. They share in the fee income or commissions generated on all accounts for which they are the broker of record. They receive 50% of the total income they produce based on annual volume. Because they have an incentive to produce at a higher volume, this could cause a conflict of interest.

In addition, not all products pay the same commission. This may cause a broker to have an incentive to recommend one product over another. To address this disparity, when feasible, we have capped the upfront and ongoing fees at 1%, regardless of the amount a product pays. Representatives are paid 50% of the upfront and ongoing fees. The upfront and ongoing fees shared with the broker for managing your account could create a conflict of interest.

“Do you or your financial professionals have legal or disciplinary history? For what type of conduct?”

Yes. Visit www.investor.gov/CRS for a free and simple search tool to research us and our financial professionals.

Conversation Starter: You might want to ask, “Who is my primary contact person? Is he or she a representative of an investment advisor or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?”

For more information about SBG, or to request a copy of Form CRS, please visit our website SBGWealth.com, call 478-747-7004 or email Raymond Smith at Raymond@SBGWealth.com