

**Item 1. Cover Page**

**Sterling Wealth Management, Inc.  
8180 Greensboro Drive, Suite 1150  
McLean, VA 22102**

**July 31, 2011**

This Brochure provides information about the qualifications and business practices of Sterling Wealth Management, Inc. (SWM). If you have any questions about the contents of this Brochure, please contact us at (703) 821-2000 or email us at [info@capfin.net](mailto:info@capfin.net). 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.

SWM 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 SWM 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 Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC'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 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 material 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.

Currently, our Brochure may be requested by contacting Joel E. Stillman, Chief Compliance Officer at (703) 821-2000 or by email at [info@capfin.net](mailto:info@capfin.net).

Additional information about SWM is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any affiliated persons who are registered, or are required to be registered, as investment adviser representatives of SWM

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#### **Item 4. Advisory Business**

The Registered Investment Advisor was established in 1999 under the name of Sterling Wealth Management, Inc. The company is currently owned by Joel E. Stillman (50%) and John E. Lawler (50%).

The primary services offered by SWM are fee-based asset management and comprehensive financial planning. The service provided by SWM consists of gathering from each client, information concerning his or her income, assets, liabilities, budget, insurance needs, tax liability, estate plan, investments and other personal financial concerns such as educational needs of children and personal goals. The information collected is organized and then analyzed by SWM. Once the information is fully analyzed, SWM presents each client with written recommendations based on each client's objectives and goals. SWM does allow clients to impose certain restrictions on investing in certain securities or types of securities if the client does so in writing.

The recommendations are of a general nature and may include recommendations concerning insurance or investing or not investing in various types of securities such as money market funds, government securities, stocks, bonds, mutual funds, and various limited partnership programs, as well as, certificates of deposit. Security analysis methods include charting, fundamental, technical and cyclical, and sources of information may include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses or filings with the SEC and company press releases. Investment strategies used to implement any investment advice may include long term purchases (securities held more than one year), short-term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions, option writing including covered and uncovered options, or spreading strategies. SWM offers advice on domestic and foreign equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, variable life insurance, variable annuities, mutual fund shares, U.S. government securities, options contracts on securities and commodities, futures contracts on tangibles and intangibles, and interests in limited partnerships.

SWM manages client assets on a discretionary and non-discretionary basis. As of 12/31/2010 SWM managed 29,854,127 on a discretionary basis and \$955,725 on a non-discretionary basis.

#### **Item 5. Fees and Compensation**

SWM is compensated for its services through fees that are based on either a fixed hourly rate, a flat fee or as a percentage of assets under supervision or a combination of these methods. Clients are typically charged a fixed fee during the term of the initial planning period. This period will include days in a partial initial calendar quarter plus the following four full calendar quarters. The fee will be based on the complexity of each financial situation and the complexity and size of the investment portfolio. The fees for ongoing service are specified in the Asset Management Contract (IA), Financial Advisory Contract (FA) or the Hourly Consulting Agreement (HA) delivered to the client and signed by the client. There is not a minimum fee for the initial planning period. \$500 is due upon the signing of the Agreement. Services will be provided during the initial planning period at the quoted flat fee unless the planning needs or requirements change substantially from those agreed upon. The ongoing fees for investment supervision and portfolio management are billed in arrears each calendar quarter based on a combination of complexity, planning services to be provided, net worth, income, and/or on the value of investable assets at the end of each calendar quarter. For investment supervision/portfolio management clients, fees are normally debited from an approved money market account, and we provide clients an invoice showing the amount of each debited payment. Other methods of fee payment may be accepted. For financial planning or hourly consulting clients, fees (other than the initial \$500.00 deposit) are payable upon completion and presentation of the plan or project.

Asset Management Fees:

<b>Dollar Amount of Investable Assets (IA)</b>	<b>Percentage Fee</b>
Up to \$500,000	1.50%
Amounts greater than \$500,000 but less than \$3,000,000	1.00%
Amounts greater than or equal to \$3,000,000 but less than \$10,000,000	0.75%
Amounts greater than or equal to \$10,000,000	0.50%
<b>Ongoing fees will be assessed quarterly in arrears</b>	

Comprehensive Financial Planning Fees (FA):

<b>Dollar Amount of “Gross Income” and “Capital at Work”</b>	<b>Percentage Fee</b>
Up to \$500,000	1.50%
Amounts greater than \$500,000 but less than \$3,000,000	1.00%
Amounts greater than or equal to \$3,000,000 but less than \$10,000,000	0.75%
Amounts greater than or equal to \$10,000,000	0.50%
<b>A deposit of \$500 is received upon execution of the financial planning contract and the balance is due upon completion of the comprehensive plan</b>	

We do not participate in management fees or custodian fees charged by mutual funds, retirement plan custodians, or non affiliated investment managers, and such fees are separate from fees described under the Agreement.

A client may terminate a contract in writing within 5 business days of execution for a full refund. Thereafter, that portion of the deposit and balance of any fees that are attributable to reasonable start-up expenses and hours spent on actual asset management and/or financial planning services rendered is non-refundable. Fees may, in certain circumstances, be negotiable

As a courtesy to existing clients who may have entered into agreements with the firm under various fee schedules, and to accommodate clients with unique circumstances, fees may be based on applicable hourly rates or otherwise negotiated. Fees based on investable assets for certain clients, may be negotiated based on service requirements and complexity. Regular payment of the ongoing quarterly fee is required to maintain uninterrupted services under the Agreement.

SWM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment managers and other third parties such as custodial fees, deferred sales charges, odd lot differentials, transfer taxes, wire transfer and electronic fund transfer 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 each fund's prospectus, which is delivered to the client by the custodian. Such charges, fees and commissions are exclusive of and in addition to SWM's fee and are discussed further in Item 12 “Brokerage Practices”.

Some SWM employees are licensed registered representatives with CSM. As such, these registered representatives may receive a commission for the client's purchase of securities if purchased through CSM. Additionally, as registered representatives of CSM, associated persons of SWM may receive 12b-1 servicing fees from various mutual fund companies. This may create a conflict of interest for the advisor by providing an incentive to recommend investments based on compensation received rather than on a client's needs.

There is no obligation to purchase securities through CSM and any commissions paid are no more than would be paid elsewhere for the same products except in the case of individual stock or bond trades in which the commission may be higher or lower than can be obtained elsewhere. CSM is currently used exclusively for trade execution, but SWM can utilize other brokers on an exception basis.

#### **Item 6. Performance Based Fees and Side By Side Management**

SWM 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).

#### **Item 7. Types of Clients**

SWM provides portfolio management services to individuals, high net worth individuals, trusts, estates, and small businesses.

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

Every type of investment, including mutual funds, involves risk. Risk refers to the possibility that you will lose money (both principal and any earnings) or fail to make money on an investment. A fund's investment objective and its holdings are influential factors in determining how risky a fund is. Reading the prospectus will help you to understand the risk associated with that particular fund.

Some of the risks involved in investing in securities are:

- **Call Risk** The possibility that falling interest rates will cause a bond issuer to redeem, or Call, its high yielding bond before the bond's maturity date.
- **Country Risk** The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- **Credit Risk** The possibility that a bond issuer will fail to repay interest and principal in a timely manner. Also called default risk.
- **Currency Risk** The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange rate risk.
- **Income Risk** The possibility that a fixed income fund's dividends will decline as a result of falling interest rates.
- **Industry Risk** The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- **Inflation Risk** The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation adjusted returns.
- **Interest Rate Risk** The possibility that a bond fund will decline in value because of an increase in interest rates.
- **Manager Risk** The possibility that a mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- **Market Risk** The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

Generally speaking, risk and potential return are related. While an investment with higher risk may have the potential for higher return, it may also have a greater potential for losses, increased volatility or negative returns, particularly in response to above normal challenges related to economic or political pressures or other events.

SWM works with each client to develop an investment strategy that suits their financial goals and tolerance for risk. We utilize in-house designed asset allocation models as a starting point to determine the appropriate portfolio for a client. We utilize fundamental analysis to determine the quality of investments as well as interviews with managers, reports from managers, meetings with managers or knowledgeable representatives of those managers and other research materials provided by those managers. We analyze current conditions, economic, political and geopolitical. We utilize a primarily buy and hold strategy with adjustments in sector targets based on current conditions or anticipated developments. We may sell investments when management changes, prospectus objectives change, or the fund's relative performance is poor or the economic climate for an investment sector changes. We also may buy or sell funds when the portfolio needs to be rebalanced to adhere to the client's investment policy or cash accumulation requirements.

#### **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 SWM or the integrity of SWM's management. SWM has no information applicable to this Item.

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

THE PRINCIPALS OF SWM ARE REGISTERED REPRESENTATIVES OF CAPITOL SECURITIES MANAGEMENT, INC. (CSM), A REGISTERED BROKER DEALER

The preponderance of our time is spent providing the investment supervision and financial planning services related to investment advice to our clients as described in this Brochure. To better serve our client's needs in the areas of life, disability, and other forms of insurance, some of the associated persons of SWM hold insurance licenses in the state of Virginia and may hold such licenses in other states. SWM may recommend the purchase of life insurance products to its clients. If clients choose to buy insurance products through us in this capacity, we may receive commissions as a result of those sales. Any such commissions received will be fully disclosed to the client. Less than 5% of our time is spent evaluating insurance needs and obtaining appropriate coverage.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES**

The principal and some associated persons of SWM are registered representatives of Capitol Securities Management, Inc. (CSM). CSM is a broker/dealer and member of the Financial Industry Regulatory Authority (FINRA). Under the rules and regulations of FINRA, CSM has obligations to maintain records and perform other functions regarding certain aspects of the investment advisory activities of the registered representatives. These obligations require CSM to coordinate with and have the cooperation of the account custodian. Additionally the principals of SWM are engaged in the following general business activities:

Joel E. Stillman: 1) Principal, president, secretary, and director of Capitol Financial Consultants, Inc. 2) Principal, president, and director of JOJES, Inc.

John E. Lawler: 1) Principal, president, secretary and director of East West Financial Services, Inc. 2) Vice president and director of East West Trade Group, Inc. 3) General partner of 517 2<sup>nd</sup> Street N.E., Ltd. 4) Director of NCI, Inc., a publically traded company.

## **Item 11. Code of Ethics**

As a fiduciary, SWM has an affirmative duty to render continuous, unbiased investment advice, and, at all times, to act in the client's best interest. To maintain this ethical responsibility to clients, SWM has adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all officers and employees in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards. These standards are rooted in the most elementary maxim, "Do the right thing!"

SWM's Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just, and good by promoting:

- Honest and ethical conduct
- Full, fair, and accurate disclosure
- Compliance with applicable rules and regulations
- Reporting of any violation to the Code
- Accountability

To help clients understand SWM's ethical culture and standards, how the Company controls sensitive information, and what steps have been taken to prevent personnel from abusing their inside position, a copy of SWM's Code of Ethics is available for review upon request.

Employees of SWM may buy and sell securities that are recommended to clients. Given the nature of the type of securities recommended by SWM to its clients, employee transactions are very unlikely to affect the market. SWM maintains personal transaction records of its associated persons, will prevent insider trading, and will strictly enforce the rules and regulations of the Investment Advisors Act of 1940.

SWM has discretionary authority on most client accounts. Discretion is exercised only within the limits imposed by the client's written agreement with SWM.

## **Item 12. Brokerage Practices**

### **CUSTODIANS AND BROKERS WE USE**

SWM does not maintain custody of your assets. Your assets must be maintained in an account with a qualified custodian, generally a broker dealer or a bank. SWM recommends that clients establish brokerage accounts with qualified custodians. We may recommend Pershing, LLC as custodian for client assets. Pershing LLC is a subsidiary of BNY Mellon, the nation's oldest continuously operating bank, and one of the world's leading providers of securities services.

Pershing has approximately \$831.3 billion in assets held in custody. For certain assets SWM may recommend other custodians for your accounts. All of the recommended custodians provide SWM with access to institutional trading and operations services, which are typically not available to retail investors.

### **HOW WE SELECT BROKERS/CUSTODIANS**

We seek to select a custodian who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Transaction costs
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of available investment products
- Availability of tools that assist us in making investment decisions
- Quality of service
- Competitiveness of the price of those products
- Reputation, financial strength, and stability
- Prior service to us and our other clients

Client accounts held at Pershing are accessed and trades are executed through our broker dealer CSM. Accounts are generally not charged a separate fee for custody. Pershing and CSM are compensated in some cases by charging you a service fee or other charge on transactions in your accounts. Pershing's services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment.

#### SERVICES THAT BENEFIT YOU

Pershing offers brokerage services which include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available include some to which we might otherwise not have access or that would require a significantly higher minimum initial investment by our clients. The services described in this paragraph generally benefit you and your account.

#### SERVICES THAT MAY NOT DIRECTLY BENEFIT YOU

Pershing makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. These include:

- Investment research
- Access to client account data (such as duplicate trade confirmations and account statements)
- Facilitated trade execution and allocate aggregated trade orders for multiple client accounts
- Pricing and other market information
- Facilitated payment of our fees from our clients' accounts
- Assistance with back office functions, recordkeeping, and client reporting

#### SERVICES THAT GENERALLY BENEFIT ONLY US

Pershing offers other services intended to help us manage and develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefit providers, human capital consultants and insurance providers

Pershing provides some of these services themselves. In other cases, they arrange for third party vendors to provide the services to us. Fees may be discounted or waived on these services or payment may be made by Pershing. There may be other benefits such as occasional business entertainment of our personnel.

#### OUR INTEREST IN THESE SERVICES

The services are available through Pershing are available to us as long as we continue to use CSM as our broker dealer. We believe that the choice of Pershing as custodian is in the best interests of our clients regardless of the services that benefit SWM. Our selection is primarily supported by the scope, quality and price of Pershing's services.

SWM utilizes various software and systems to interface with mutual fund providers, custodians, and broker/dealers in order to more efficiently implement and track client transactions. Such hardware and systems have intrinsic value to SWM, and SWM may be inclined to direct certain client transactions to those providers which offer such enhanced client services for such software and services. In all cases, the clients' needs will come first.

#### **Item 13. Review of Accounts**

Client accounts are reviewed at least quarterly when quarterly consolidated account statements are prepared. Factors reviewed include performance, expenses, management, total return and overall allocation. Reviews are performed by Joel E. Stillman and/or John E. Lawler. Each reviewer is familiar with the investment objectives of the client/account being reviewed and participates in the investment strategy and implementation determinations made by SWM.

In addition to the periodic official account statements provided by the qualified custodian, asset management clients who have entered into an agreement for continuous and ongoing monitoring of their portfolios will be provided consolidated quarterly statements showing the share amount and the current market value.

Financial plans for financial planning clients are reviewed and updated at least annually as part of the periodic consultation performed directly with clients.

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

SWM may provide compensation for client referrals from parties not formally affiliated with SWM. In general this compensation will consist of a portion of the fees paid by a referred client being paid to the party making the referral. This can create a conflict of interest for the party making the referral to SWM. For each referred client the referring party will provide to the referred client a complete disclosure document describing this relationship and any compensation arrangement pertaining to the referral. SWM is not compensated for any referrals it may make.

**Item 15. Custody**

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct the custodian to deduct our advisory fees from your account. Pershing and/or other qualified custodians we may choose to use maintain actual custody of your accounts. You will receive account statements directly from the custodians at least quarterly. They will be sent to the email or postal mailing address you provided to the custodian. SWM urges you to carefully review such statements and compare such official custodial records to the account statements that we provide to you. Our statements may vary slightly from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

**Item 16. Investment Discretion**

SWM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount 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.

When selecting securities and determining amounts, SWM observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to SWM in writing.

**Item 17. Voting Client Securities**

As a matter of firm policy and practice, SWM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. SWM may provide advice to clients regarding the clients' voting of proxies.

**Item 18. Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SWM's financial condition. SWM 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.

**DISCLOSURE STATEMENT RECEIPT**

PURSUANT TO RULE 206(4)-3  
UNDER THE INVESTMENT ADVISORS ACT OF 1940  
FORM ADV PART 2A-DISCLOSURE STATEMENT

The undersigned hereby acknowledges receipt of the Registered Investment Advisory Disclosure Statement in connection with the execution of a letter of agreement with Capitol Financial Consultants, Inc.

Name of Advisor: Sterling Wealth Management, Inc.

Address of Advisor: 8180 Greensboro Drive, Suite 1150  
McLean, Virginia 22102

Telephone: (703)821-2000

Name of Financial Planner: \_\_\_\_\_

The above named Financial Planner acted as a representative for Sterling Wealth Management, Inc.

Date: \_\_\_\_\_ Signature: \_\_\_\_\_