

Form ADV Part 2A  
Investment Advisor Brochure



STERLING  
*Wealth Management*

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*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**

Material changes to the ADV Brochure will be provided to clients who have received previous versions of brochure.

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## ***Advisory Business***

### **Advisory Firm**

Sterling Wealth Management, Inc. is a fee-only private wealth management firm that utilizes a consultative approach to financial and investment planning. Sterling Wealth Management has been providing investment advisory services since 2004. Sharon C. Allen is the founder and President and has been in the financial services industry since 1994.

### **Advisory Services**

❶ Sterling Wealth Management, Inc. provides private wealth management services that fall into two different categories: “Wealth Management Services” or “Asset Management Services”. These services may include investment consulting, asset management, financial planning, relationship management, and concierge services. We also provide Asset Management Services for certain qualified retirement plans.

Our “Wealth Management Services” includes ongoing investment consulting, asset management, financial planning, relationship management, and concierge services.

Our “Asset Management Services” includes ongoing investment consulting, asset management, relationship management, and limited financial planning.

The subcategories of services within our two main services are described as follows:

*Investment Consulting* includes the rendering of advice with respect to equity securities, corporate debt securities, commercial paper, certificates of deposit, municipal securities, mutual fund shares, exchange traded funds, United States government securities, and other financial products.

*Asset Management* refers to the rendering of advice with regard to equity securities, corporate debt securities, commercial paper, certificates of deposit, municipal securities, mutual fund shares, exchange traded funds, United States government securities, and other financial products. Clients may grant the RIA full discretion to direct investments on their behalf. However, the RIA does not take custody of client assets.

*Financial Planning* includes the identification of goals, value and objectives, collection and assessment of client data, identification of client challenges and possible solutions, preparation of a written wealth plan, monitoring implementation of any recommendations, and regular progress meetings to review and update the wealth plan. The limited financial planning available as part of our “Asset Management Services” includes only the identification of financial goals, values and objectives, collection and assessment of client data as it relates to the investment portfolio, providing general financial planning advice as needed, and regular progress meetings with the client. Planning may be comprehensive, or segmented and focus on items such as investments, insurance, taxes, and/or estate plans.

*Relationship Management* includes maintaining contact with our clients to ensure their needs are being met, as well as coordinating efforts of the client’s other professional advisors as requested by the client.

*Concierge Services* includes services not directly related to asset management but provide clients with assistance in lifestyle matters.

Our Asset Management Services for certain qualified plans are of a discretionary nature. These accounts are custodialized at various financial institutions or other recordkeepers. The RIA has no authority with regard to the custody but will make trading decisions according to the overall investment plan for qualified plan accounts, advising the plan sponsor and participants with regard to the investment of assets within the qualified plan. Sub-services may include the selection of mutual fund or other investment

options to made available to participants or beneficiaries of the plan, replacement of such investments from time to time, meeting with the plan sponsor annually to review the investment options, prepare/develop an investment policy statement with the client, provide investment education for the plan participants, enroll employees who are eligible to participants in the plan, and provide client with other matireals for the plan sponsor.

As of February 28, 2012, Sterling Wealth Management, Inc. has \$28.1 million of assets under management on a discretionary basis, and \$14.1 million of assets under management on a non-discretionary basis.

Services are based on the individual needs of the client. An initial discovery process is undertaken to determine the client's financial situation, their goals, investment objectives, and any gaps and challenges in their financial lives. The Financial Advisor will meet with the client for regular progress meetings at the client's preferred meeting frequency but generally not less than annually. It is the client's responsibility to notify the Financial Advisor at any time there are changes to their financial situation. The client is free to accept or reject any recommendation made by the RIA.

Clients may call in at any time during normal business hours to discuss directly with the Financial Advisor about the client's account, financial situation, or investment needs.

Clients will receive from the custodian timely trading 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, Sterling Wealth Management, Inc. sends reports to the client at least quarterly.

② On occasion we provide "Investment Consulting" on investment matters only. This type of consultation is non-discretionary in nature and the client is free to accept or reject any recommendation made by the RIA. An hourly rate is charged as determined by the person performing the service.

### **Fees and Compensation**

Fees for "Wealth Management Services" and "Asset Management Services" are computed at an annualized percentage of assets under management on a sliding scale.

<u>\$ Portfolio Size</u>	<u>Annual %</u>
0 – 1,000,000	1.00%; and
1,000,001 – 5,000,000	0.75%; and
5,000,001 +	0.50%

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

For "Wealth Management Services" and "Asset Management Services", the fee will be payable quarterly in arrears. Payment of fees may be paid direct by the client, or client may authorize the custodian holding client funds and securities to deduct Sterling Wealth Management, Inc. advisory fees direct from the client account in accordance with statements prepared and submitted to the custodian by Sterling Wealth Management, Inc. The custodian will provide periodic account statements to the client. Such statements will reflect all fee withdrawals by Sterling Wealth Management, Inc. 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 may be negotiated based on the overall relationship. Sterling Wealth Management, Inc. will charge an agreed upon fee which is based on various objective and subjective criteria. Some of the criteria used in determining fees may include but are not limited to the dollar amount of assets placed under management and the complexity and scope of financial planning and/or consulting services to be provided. Typically, the fee will range between 0% and 1% annually based on assets under management based on the fee schedule noted above.

In connection with asset management services, clients may be advised to invest in no-load mutual funds. When investing in mutual funds, clients pay two levels of fees – the advisory fee payable to Sterling Wealth Management and the fee paid to the mutual fund manager(s).

For “Wealth Management Services” and “Asset Management Services”, services will continue until either party terminates the Agreement on 30 days written notice.

If termination occurs prior to the end of a calendar quarter, the client will be invoiced for fees due on a pro-rata basis.

The Advisory Agreement contains a pre-dispute arbitration clause. Arbitration is final and binding on the parties.

Fees for “Investment Consulting” are computed at an hourly rate. Various rates apply as determined by the person performing the service as follows: \$150/hour for a Certified Financial Planner professional.

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

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

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

Sterling Wealth Management, Inc. provides advisory services to individuals, families, trusts, estates, charitable organizations, business entities, and pension and profit sharing plans and other ERISA accounts.

Generally the minimum account size is \$1,000,000. Sterling Wealth Management, in its sole discretion, may require a lesser account minimum and/or reduce its annual fee based upon certain criteria (i.e. anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

Analysis utilized is primarily fundamental. Consistent with our evidence-based investing philosophy, Sterling Wealth Management uses long-term historical data of various asset classes as a source of information for analysis.

Evidence-based investing delivers the performance of the capital markets and increases returns through state-of-the-art portfolio design and trading. Our philosophy and strategies are based on the precepts that risk and return are related, over the long-term markets are efficient, diversification is essential and should be global in nature, identifying and capturing the dimensions of meaningful risk factors, and costs to invest should be minimized.

Sterling Wealth Management, Inc. uses asset allocation strategies for portfolio management.

By its nature, financial planning looks to the long-term. After the client's goals are defined and gaps are evaluated, investment strategies are designed to help the client achieve his or her financial goals. Review of a client's estate plan and risk management coverage is covered generally and at the client's request, additional review and analysis would be provided by an outside expert in these areas.

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. For those investments sold by prospectus, clients should read the prospectus in full.

Sterling Wealth Management, Inc. is disclosing those risks and opportunities for our investment strategy or for particular types of securities used.

- Debt securities are subject to interest rate risk, issuer risk, and term risk.
- We believe that no one can accurately, consistently and predictably outperform the markets by actively buying and selling stocks. Therefore, we do not time the markets.
- There are tax consequences for short-term trading wherein capital gains are taxed as ordinary income. While we are not short-term traders, there may be instances where investments are sold within a year and short-term capital gains are triggered as a result.
- Our investment style is one of global diversification across and within various asset classes.
- Asset class or index mutual funds may be utilized to implement our investment strategy. These funds invest across broad spectrums of the market with unique risk and return characteristics and therefore are highly diversified. Funds of this type are meticulously designed to minimize costs and do not try to predict or forecast the movements of the markets, and therefore will typically generate investment returns that are in line with the areas of the market being invested in.

### **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. Sterling Wealth Management, Inc. does not have any disclosure items.

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

Sterling Wealth Management, Inc. is not actively engaged in another business, does not sell products, and is not affiliated with any broker/dealers.

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

### **Code of Ethics**

Sterling Wealth Management, Inc. maintains a Code of Ethics. The Code of Ethics sets forth standards of conduct expected of personnel; requires compliance with federal securities laws; and, addresses conflicts that arise from personal trading by advisory personnel. Clients may request a copy of the Code of Ethics.

### **Personal Trading**

At times Sterling Wealth Management, Inc. and/or its Financial Advisors may take positions in the same securities as clients, and we will try to avoid conflicts with clients. We will not violate our fiduciary responsibilities to our clients. 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.

### **Brokerage Practices**

#### **Selection or Recommendation of Broker/Dealers**

For our “Wealth Management Services” and “Asset Management Services”, Sterling Wealth Management, Inc. does not have the authority to choose the brokerage firm used to facilitate the purchase or sale of securities. However, our firm will assist with establishing custodial account(s) with a bank, trust company, brokerage firm or other qualified custodian.

Should our clients choose to utilize the services of National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, “Fidelity”) clients may pay transaction fees to Fidelity for the purchase of “no-load” funds.

Sterling Wealth Management, Inc. is independently operated and owned and is not affiliated with Fidelity. Financial Advisors of our firm are not registered representatives of Fidelity and do not receive any commissions or fees from recommending these services.

#### **Soft Dollar Practices**

Sterling Wealth Management, Inc. has an arrangement with Fidelity through which Fidelity provides Sterling Wealth Management, Inc. with “institutional platform services.” The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity’s institutional platform services that assist Sterling Wealth Management, Inc. in managing and administering clients’ accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients’ accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity generally does not charge its advisor clients like Sterling Wealth Management, Inc. separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e. transactions fees are charged for certain no-load mutual funds, commissions are

charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

Fidelity also offers other services intended to help Sterling Wealth Management, Inc. manage and further develop its advisory practice. Such services may include, but are not limited to performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Sterling Wealth Management, Inc. may contract directly.

Sterling Wealth Management, Inc. may receive from Fidelity certain brokerage and research products and services that qualify as “brokerage or research services” under Section 28(e) of the Securities Exchange Act of 1934.

Sterling Wealth Management, Inc. understands its duty for best execution and considers all factors in making recommendations to clients. These research services may be useful in servicing all Sterling Wealth Management, Inc. clients, and may not be used in connection with any particular account that may have paid compensation to the firm providing such services. While Sterling Wealth Management, Inc. may not always obtain the lowest commission rate, our firm believes the rate is reasonable in relation to the value of the brokerage and research services provided.

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

#### **Reviews**

Sterling Wealth Management, Inc. monitors the investments and asset allocation of our clients with Wealth Management and Asset Management Services regularly. Portfolio performance is reviewed and reported on a quarterly basis at a minimum. Regular Progress Reports are presented to each of our clients as determined by their individual preferences, generally not less than annually.

The account reviews are performed by the client’s Financial Advisor, with a portion of client accounts reviewed monthly. If warranted by the clients’ objectives and transactions costs or changes in the client’s life circumstances, the portfolio will either be rebalanced or continued without changes.

#### **Reports**

All clients receive standard account statements from the brokerage firm(s) maintaining custody of the client’s assets. Based on the client’s preference, these reports may be delivered in written or electronic form. Annual statements and tax reporting information is also provided to our clients by the brokerage firm. Sterling Wealth Management, Inc. maintains duplicate records of client positions and transactions in portfolio management software that interfaces directly with the brokerage firm maintaining custody of client assets. Written interim account statements are available from Sterling Wealth Management, Inc. to all clients upon their request.



## **Client Referrals & Other Compensation**

### **Referral Fees Paid**

Sterling Wealth Management, Inc. may compensate for client referrals. All solicitors agreements are in compliance with the Investment Advisers Act of 1940. In addition, all applicable federal and state laws will also be observed. All clients procured by solicitors will be given full written disclosures describing the terms and fee arrangements between the advisor and the solicitor prior to or at the time of entering into the advisory agreement.

### **Custody**

Although client assets are held at a third-party independent custodian, Sterling Wealth Management, Inc. is deemed to have custody of client funds solely because of the fee deduction authority granted by the client in the investment advisory agreement. Except for this fee deduction, we do not have authority to withdraw funds out of client accounts for our benefit.

Clients will receive account statements at least quarterly from the brokerage firm or other qualified custodian. Our clients are urged to compare custodial account statements against statements prepared by Sterling Wealth Management, Inc. 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 purposes.

### **Investment Discretion**

Sterling Wealth Management, Inc. may maintain full investment discretion or have non-discretionary authority as it relates to investment decisions on behalf of a client.

When our firm maintains full investment discretion, it is authorized through an investment advisory agreement between Sterling Wealth Management, Inc. and the client providing us with a limited power of attorney as to the securities and amount of securities.

When our firm does not have discretion over a client account, it is so stated in the investment advisory agreement between Sterling Wealth Management, Inc. and the client. A limited power of attorney, limited to the power of executing trades on a non-discretionary basis, will be obtained from clients as part of the investment advisory agreement.

Sterling Wealth Management, Inc. will not have authority to withdraw funds for our benefit or to take custody of client funds or securities, other than under the terms of the Fees clause in the Investment Advisory Agreement with the client.

The client will designate the qualified custodian to be used for trading and custodial services.

### **Voting Client Securities**

Sterling Wealth Management, Inc. does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian. 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, a bankruptcy within the past ten years. Sterling Wealth Management, Inc. does not have any disclosure items in this section.

### **Requirements for State Registered Advisors**

Not applicable.