

## STERLING INVESTMENT MANAGEMENT, INC.

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February 10, 2023

This Brochure provides information about the qualifications and business practices of Sterling Investment Management, Inc. If you have any questions about the contents of this Brochure, you may contact us at: (503) 579-9744 or email [al@sterlinginvestmgt.com](mailto:al@sterlinginvestmgt.com) to obtain answers and additional information. Sterling Investment Management, Inc. is a registered investment advisor in the State of Oregon. Registration of investment advisor does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC), the State of Oregon, or by any state securities authority.

Additional information about Sterling Investment Management, Inc. is available on the SEC's website at [www.Adviserinfo.sec.gov](http://www.Adviserinfo.sec.gov).

## Item 2 – Material Changes

### ANNUAL UPDATE:

This Brochure was last updated on February 10, 2023.

### MATERIAL CHANGES SINCE THE LAST UPDATE:

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, without charge.

Currently, our Brochure may be requested by contacting Alan R. Nelson, President of Sterling Investment Management, Inc., at (503) 579-9744 or [al@sterlinginvestmgt.com](mailto:al@sterlinginvestmgt.com). Brochures are provided free of charge and can be found online at [www.sterlinginvestmgt.com](http://www.sterlinginvestmgt.com).

Additional information about Sterling Investment Management, Inc. 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 persons affiliated with Sterling Investment Management, Inc. who are registered as Investment Advisor Representatives.

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#### Item 4 – Advisory Business

- A** Sterling Investment Management, Inc. (“Sterling” “we” “Advisor”) is an independent State-registered investment advisory firm that provides fee-only financial planning and investment management services. Sterling has been in business since 2000 and is located in Beaverton, Oregon.

The principal owner and planner is Alan R. Nelson, President. Our investment advisory services are driven by and coordinated with each Client’s individual financial goals. We use a systematic strategy to manage investments and follow strict fiduciary standards, putting our Clients’ interests before our own. We are compensated only by our Clients.

- B, C** We help Clients coordinate their financial lives while considering their life goals. Client input and involvement are critical parts of the financial planning process and implementation of investment decisions. Integrating investments in all individual retirement accounts, taxable accounts, and employee retirement accounts is crucial to the process. After Client assets are invested, we help our Clients monitor their investments and provide advice related to ongoing financial and investment needs. We are objective advisors, and we always put our Clients’ interests first with regard to all of our advice.

- Sterling and Client will enter into an Investment Advisory Agreement which details the scope of the relationship and responsibilities of both Sterling and Client. Advice and services provided under the Investment Advisory Agreement are tailored to the stated objectives of the Client(s).

Upon execution and signing of the Investment Advisory Agreement, Client grants Sterling discretionary authority to execute its investment recommendations on behalf of Client without the Client’s prior approval of each specific transaction. Under this authority, Sterling may purchase and sell securities and instruments in Client’s account, arrange for delivery and payment in connection with the foregoing, and act on behalf of the Client in all matters necessary or incidental to the handling of the account, including monitoring certain assets. Transactions in the account shall be made in accordance with the directions and preferences provided to Sterling by the Client. Client will execute instructions regarding Sterling’s trading authority as required by each custodian.

In certain instances, advisory services will include or may be limited to the monitoring of the performance of certain investments in Client’s Account. Sterling, in this capacity, may recommend changes, provide the Client with reports or other information and periodically review the suitability of the investment(s) for Client. Except as otherwise instructed by Client, Sterling will provide Client at least annually, a list of all assets held in the account and asset values.

Sterling also offers Financial Planning Services to Clients which may include:

- Asset Allocation and Investment Planning;
- Financial Independence Planning;
- Estate Planning;
- Retirement Planning;
- Tax Planning;
- Insurance Planning; and
- Cash flow Management.

**D** We do not participate in any wrap fee programs.

**E** As of December 31, 2022, the amount of Client assets we manage on a discretionary basis is \$ 35,311,631.

**Item 5 – Fees and Compensation**

**A** Sterling is a fee-only advisory firm, meaning we are compensated only by our Clients and do not receive compensation or commissions from any other parties. We believe this method of compensation minimizes conflicts of interest.

Compensation to Sterling for its services will be calculated in accordance with Schedule A of the Investment Advisory Agreement as set forth below. It may be amended from time to time by Sterling upon 30-days prior written notice to Client.

Client will pay Sterling a fee quarterly in arrears, with payment due within 10 days from the date of the invoice. The fee will be equal to the respective percentage per annum below (or as agreed to in writing on the Schedule A of the Investment Advisory Agreement), based on the market value of the account on the last trading day of the previous quarter. Fees for partial quarters at the commencement or termination of the Investment Advisory Agreement will be prorated based on the number of days the account was open during the quarter. Quarterly fee adjustments for additional assets received into the account during a quarter or for partial withdrawals will also be provided on the above pro rata basis. Sterling charges a minimum annual fee of \$7,500. Fees are generally negotiable but must be agreed upon in writing by both parties.

**Schedule A**

<u>Assets</u>	<u>Annual Fee**</u>
\$ 0 to \$.5 million	1.50 %
Next \$ .5 million	1.00%
Next \$1.5 million	0.75 %
Next \$2.5 million	0.50 %
Next \$5 million	0.25 %

Minimum Annual Fee \$7,500

\*\*Existing clients may have a different fee structure.

An additional fee will be charged for held away assets. These generally include but are not limited to retirement accounts, deferred compensation accounts, and retail brokerage accounts. The fee is an annual rate of .75% of the account balance valued and billed quarterly, if information is readily available.

For purposes of determining value, securities and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale price on the principal market in which they are traded (or, if there shall be no sales on such date, then at the mean between the closing bid and asked prices on such date), other readily marketable securities and other instruments shall be priced using a pricing service or through quotations from one or more dealers, and all other assets shall be valued at fair value by

Sterling whose determination shall be conclusive. Sterling may modify the terms in this Section prospectively on at least 30-days prior written notice.

- B** Sterling's fees may be paid directly to Sterling from the account by the Custodian upon submission of a billing document or upload to Custodian showing the amount of fees. Payment of fees may result in the liquidation of Client's securities if there is insufficient cash in the account. Copies of the fee invoices will be provided to Client as required.
- C** Client may be required to pay, in addition to Sterling's fee, a proportionate share of any mutual fund's fees and charges. All brokerage commissions, custodial fees and service charges, stock transfer fees, and other similar charges incurred in connection with transactions for the Account will be paid out of the assets in the Account or billed separately to the client and are in addition to the investment management fees paid to Sterling.
- D** Sterling does not require their Clients to pay fees in advance.
- E** As previously stated, Sterling is compensated only by our Clients and we do not receive compensation or commissions from any other parties.

**Item 6 – Performance-Based Fees and Side-By-Side Management**

Sterling neither accepts nor charges 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**

Sterling provides portfolio management services to various individual investors. Our Clients are generally individuals, high net-worth individuals, professionals, business owners, corporate executives or retirees.

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

- A** Sterling primarily offers advice on investments which may include one or more (but not limited to) of the following: Investment company securities such as mutual fund shares, Exchange Traded Funds, along with government and corporate debt securities.

The investment strategies used to implement investment advice given to Clients include long-term (securities held at least one year) and short-term (securities sold within a year) purchases. Client portfolios are reviewed and re-balanced as needed in order to maintain Client's investment objectives.

- B C** We use our best judgment and good faith efforts in rendering services to Clients. We cannot warrant or guarantee any particular level of account performance, or that the account will be profitable over time. Not every investment recommendation we make will be profitable. Clients assume all market risk involved in the investment of account assets. Investments are subject to various market, currency, economic, political, and business risks. Sterling cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time.

Except as may otherwise be provided by the laws of the State of Oregon, The Advisers Act of 1940 or other applicable state or federal law, Sterling is not liable to Clients for:

- ❖ any loss that Clients may suffer by reason of any investment recommendation made with that degree of care, skill, and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; or
- ❖ any act or failure to act by a custodian of Client accounts.

It is the responsibility of each Client to provide us complete information and to notify us of any changes in financial circumstances or goals.

**Item 9 – Disciplinary Information**

Sterling is required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. Sterling has no information to disclose applicable to this item. As the sole advisor representative and principal, Alan R. Nelson, does not have any legal or disciplinary events of any kind whatsoever.

**Item 10 – Other Financial Industry Activities and Affiliations**

**A** Alan R. Nelson, CFP® is a member in good standing of NAPFA and FPA.

In addition to being licensed as an Investment Advisor Representative to Sterling, Alan R. Nelson, prepares tax returns for a number of advisory Clients.

## Item 11 – Standard of Business Conduct

- A** Sterling subscribes to an ethical and high standard of business conduct as well as a fiduciary duty to its Clients. This level of business conduct includes the requirement to maintain the confidentiality of Client information and a prohibition of insider trading.
- B** Sterling performs investment advisory services for various Clients and may give advice and take action with respect to any of its other Clients or for itself which may differ from advice given, or the timing or nature of action taken, with respect to the Account. Transactions in a specific security may not be accomplished for all Client accounts at the same time or the same price. Nothing in the Investment Advisory Agreement nor this disclosure shall limit or restrict Sterling or any of its directors, officers, affiliates or employees from buying, selling or trading in any securities or other assets for its or their own account or accounts. The prior approval of Alan R. Nelson, President of Sterling Investment Management, Inc., is required prior to the purchase or sale of any such securities in order to prevent any conflict of interest concerning such purchase or sale.

Sterling may refrain from rendering any advice or services concerning securities of companies of which Sterling may have substantial economic interest, unless Sterling either determines in good faith that it may appropriately do so without disclosing such conflict to Client or discloses such conflict to the Client prior to rendering such advice or services with respect to the account. Sterling has discretionary authority to purchase, on Client's behalf, mutual funds that pay 12b-1 fees or administrative fees that can be applied toward research or they can reduce custodial and transaction fees Sterling might otherwise pay.

On an on-going basis, Sterling will disclose to advisory Clients material conflicts of interest relating to our firm, our representatives, or any of our employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

## Item 12 – Brokerage Practices

**A** BROKER/DEALER SELECTION. Except to the extent that the Client directs otherwise, Sterling may use its discretion in selecting or recommending the broker-dealer. The Client is not obligated to effect transactions through any broker-dealer recommended by Sterling. In recommending broker-dealers, Sterling will generally seek “best execution.” In recommending a broker-dealer Sterling will comply with its fiduciary duty to obtain best execution and with the Securities Exchange Act of 1934 and will take into account such relevant factors as:

- Price;
- The broker-dealer’s facilities, reliability and financial responsibility;
- The ability of the broker-dealer to effect transactions, particularly with regard to such aspects as timing, order size and execution of order;
- The research and related brokerage services provided by such broker or dealer to the Advisor, notwithstanding that the account may not be the direct or exclusive beneficiary of such services; and
- Any other factors the Advisor considers to be relevant.

**B** AGGREGATION. Pursuant to the Investment Advisory Agreement entered into between Sterling and the Client, Sterling is authorized in its discretion to aggregate purchases and sales and other transactions made for the Account with purchases and sales and other transactions in the same or similar securities or instruments for other clients of Sterling. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the Account will be deemed to have purchased or sold its proportionate share of the securities or instruments involved at the average price so obtained. Stock exchange regulations may in certain instances prevent the executing broker-dealer from delivering to the Account a confirmation slip with respect to its participation in the aggregated transaction.

CONFIRMATION OF TRADES. Except to the extent the Client directs otherwise, through custodial agreements or as required by law, Advisor will not be responsible for forwarding confirmations of any transactions effected for the Account.

SUB-ADVISOR RELATIONSHIPS. Sterling may, on occasion, recommend that all or a portion of the assets in the account be managed by an outside investment manager or subAdvisor. Subadvisory fees will be paid by Advisor from its advisory fees. In all discretionary accounts, except to the extent the Client directs otherwise, the Advisor is authorized to use its discretion in selecting or changing a sub-Advisor and/or outside money manager to the account without prior notice to the client. Client may be required to execute a limited power of attorney with a sub- Advisor selected by Advisor under this Section.

INDEMNITY AND LIABILITY. Sterling will use its best judgment and good faith efforts in rendering services to Client. Client indemnifies Sterling and its associates for any losses, claims, or damages, including legal fees, which may be incurred by Sterling as a result of its reliance upon inaccurate information provided by the Client. Sterling cannot warrant or

guarantee any particular level of Account performance, or that Account will be profitable overtime. Not every investment decision or recommendation made by Sterling will be profitable. Client assumes all market risk involved in the investment of the Account assets under the Investment Advisory Agreement and understands that investment decisions made for this Account are subject to various market, currency, economic, political and business risks. Except as may otherwise be provided by law, Sterling will not be liable to Client for (a) any loss that Client may suffer by reason of any investment decision made or other action taken or omitted in good faith by Sterling with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; (b) any loss arising from Sterling's adherence to Client's instructions; or (c) any act or failure to act by a custodian of Client's Account. Nothing in this Agreement shall relieve Sterling from any responsibility or liability Sterling may have under state or federal statutes.

PORTFOLIO MONITORING AND CONTROL PROCEDURES. In certain instances, Sterling's services will include or be limited to the monitoring of the performance of certain investments in Client's Account. Sterling, in this capacity, may recommend changes, provide the Client with reports or other information, and periodically review the suitability of the investment(s) for Client. Except as otherwise instructed by Client, custodian will provide Client, at least monthly, a list of all assets held in the Account, asset values, and all transactions affecting the Account assets, including any additions or withdrawals.

BOOKS AND RECORDS. In its books and records, Sterling will maintain records regarding brokerage transactions in Client accounts and soft dollar arrangements.

**Item 13 – Review of Accounts**

Active financial advisory Clients receive at least an annual review of their file. Triggering factors include, but are not limited to, time, significant personal or financial changes, or major market fluctuations. Alan R. Nelson, President, will conduct all reviews. Custodian reports are provided monthly to Clients. Sterling will provide Client at least annually a summary of account performance.

**Item 14 – Client Referrals and Other Compensation**

Sterling does not receive any soft dollar compensation or other compensation responsive to this section, and Sterling does not utilize any traditional solicitors to obtain Clients.

### **Item 15 – Custody**

Except for Sterling's ability to debit fees, Sterling does not have custody of the assets in the Account, Sterling shall have no liability to the Client for any loss or other harm to any property in the Account, including any harm to any property in the Account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian regardless of whether the full amount of such loss is covered by SIPC or any other insurance which may be carried by the custodian. The Client understands that SIPC provides only limited protection for the loss of property held by a broker-dealer.

Clients will receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. Sterling urges all Clients to carefully review such statements and compare such official custodial records to Account statements that we may provide to you. Sterling may also provide Clients with periodic reports on Client's account. These reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

As stated above, Sterling has the authority to determine, without obtaining specific Client consent, the securities bought or sold and the amount of securities bought or sold. The only restrictions on the above discretionary authority are those set by the Client on a case by case basis. Accordingly, unless otherwise instructed by Client, Sterling has ongoing and continuous discretionary authority to purchase and sell securities and instruments in this account, arrange for delivery and payment in connection with the foregoing, select and retain sub-advisors, and act on behalf of the Client in most matters necessary or incidental to the handling of the account, including monitoring certain assets.

Discretionary authority allows Sterling to make decisions without the prior approval of Client. However, Sterling will exercise this discretion in a manner consistent with the stated investment objectives for the particular client account. All transactions shall be made in accordance with the directions and preferences provided to Sterling by the Client. Investment guidelines and restrictions must be provided to Sterling by Client in writing.

Client will also provide written instructions regarding Sterling's trading authority as required by each custodian.

**Item 17 – Voting Client Securities**

Unless specifically directed otherwise in writing by the Client, Sterling is not authorized to and does not receive or vote proxies on behalf of Clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in Client portfolios. At the request of a Client, Sterling may provide advice regarding the voting of proxies by the Client.

**Item 18 – Financial Information**

Registered Investment Advisors are required to provide you with certain financial information or disclosures about their financial condition. Sterling 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.

## Item 19 – Requirements for State-Registered Advisors

- A** Alan R. Nelson CFP®, President and Principal of Sterling Investment Management, Inc.  
Birth Date: 9/28/1957

### EDUCATION

Oregon State University, BS Business 1979

### BUSINESS BACKGROUND

2000 – President    President and Principal of Sterling Investment Management, Inc.  
1995-1999         Tax Professional, Ron Watt, CPA

INDUSTRY EXAMINATIONS: Series 65

### PROFESSIONAL DESIGNATIONS

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 80,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

- B** In addition to being licensed as an Investment Advisor Representative to Sterling, Alan R. Nelson, prepares tax returns for a number of advisory Clients.
- C** We do not receive performance-based fees.
- D** We have not been subject to any arbitration claims or any other proceedings (civil, self-regulatory organization or administrative)
- E** We have no relationship or arrangements with any securities issuers other than that disclosed in Item 10.