



# **FIVE STAR**

## **P R O F E S S I O N A L**

# **WEALTH MANAGER**

**Program Summary and Research Methodology**

**(Updated January 2016)**

# FIVE STAR WEALTH MANAGER AWARD

## Program Summary and Research Methodology

### PROGRAM SUMMARY

Five Star Professional conducts market-specific research to identify outstanding service professionals. Founded in 2003, the Five Star award program is the largest and most widely published award program in North America, covering more than 45 major markets. Professionals recognized as award winners are published by Five Star Professional and its partners. Award winners cannot pay a fee to be included in the research or the final list of award recipients.

The chart in Appendix A provides a summary of the Five Star Wealth Manager award program.

### PROGRAM PRESENTATION AND DISCUSSION WITH SEC STAFF

The Five Star Wealth Manager award program was presented and discussed with the SEC Staff in Washington, D.C., in June 2011. The SEC Staff verbally advised Five Star Professional that the program does not constitute a client testimonial because (a) clients do not participate in the nomination and pre-qualification process and (b) the use of consumer survey feedback in the regulatory history/consumer complaint process is insignificant in the overall award selection process.

### RESEARCH OBJECTIVE

Our research objective is to recognize wealth management professionals who show a commitment to clients, demonstrate strong industry credentials and are evaluated on the quality of their current practice.

For purposes of this program, wealth managers include SEC- and state-registered investment adviser representatives and registered investment advisers. Our final list is not intended to be exhaustive.

To receive the Five Star Wealth Manager award, a wealth manager must satisfy 10 objective eligibility and evaluation criteria.

The award process is conducted annually.

### RESEARCH METHODOLOGY

The following steps define our research process:

- **Award Candidate Identification Process**

The nomination and pre-qualification process is designed to identify the broadest possible population of high-quality award candidates in order to ensure that eventual award winners have been drawn from a large and diverse pool. Award candidates are identified by one of three sources: firm nomination, peer nomination, or pre-qualification. Self-nominations are not accepted.

---

1. **Define Research Geography and Relevant Population of Wealth Managers and Firms**

Five Star Professional defines the relevant geographic area for the research and identifies the wealth managers and firms in that area.

FINRA and SEC-registered representatives, as defined by an outside data provider, and past Five Star Wealth Manager award winners are contacted as part of the peer nomination process. Broker-dealers and registered investment advisers, as identified by a third-party data firm, are contacted as part of the firm nomination process.

# FIVE STAR WEALTH MANAGER AWARD

## Program Summary and Research Methodology

### RESEARCH METHODOLOGY

#### 2. Acquire Peer and Firm Nomination Lists

Once the populations of peers and firms have been determined, contact and eligibility data is acquired. For nominations sent by mail, Five Star Professional processes all mailing lists through industry-leading verification software to ensure that data is updated with any change-of-address submissions to the USPS in order to maximize the deliverability of each piece.

---

#### 3. Solicit Peer and Firm Nominations

Peers and firms are asked to nominate one or more wealth managers they know who have an established practice, good client relationships and a strong reputation. Nominees can be SEC- or state-registered investment adviser representatives.

##### Peer Nominations:

Peers are invited to nominate wealth managers by accessing Five Star Professionals' web-based nomination system. Each peer may nominate up to six wealth managers. Nominations are collected through an individual online form.

##### Firm Nominations:

Firms are invited to nominate wealth managers by accessing Five Star Professional's web-based nomination system. A firm may nominate up to 10% of its wealth managers in the market for consideration. Firms with fewer than 10 wealth managers in a market may nominate one wealth manager. The firm representative submitting nominations must provide their contact information.

---

#### 4. Collect Nominations and Verify Validity

##### Peer Nominations:

Five Star Professional collects peer nominations submitted to Five Star Professional's web-based nomination system. Five Star Professional's research staff reviews nominations for completeness of required information and to guard against self-nomination. In the event of questions, research staff contacts the peer that submitted the nomination(s).

##### Firm Nominations:

Five Star Professional collects firm nominations submitted to Five Star Professional's web-based nomination system. Five Star Professional's research staff reviews nominations for completeness of required information and to ensure no more than 10% of the wealth managers of each firm in the market are nominated. Firms with less than 10 wealth managers may nominate one wealth manager. In the event of questions, research staff contacts the firm representative who submitted the nomination(s).

---

#### 5. Identify Pre-Qualified Award Candidates

Internal and external data sources are used to identify relevant and high-potential candidates. Multiple pre-qualification attributes are considered and may include years in the industry, fiduciary status, and assets administered, among others.

# FIVE STAR WEALTH MANAGER AWARD

## Program Summary and Research Methodology

### RESEARCH METHODOLOGY

#### 6. Verify Award Candidate License and Contact Information

Each award candidate is matched to a license/registration number (FINRA, state, SEC). Once found on the license/registration site, each wealth manager's license status (active or non-active) and disciplinary history are noted.

Five Star Professional's research staff identifies contact information, using company and other directories

---

#### 7. Conduct Regulatory and Consumer Complaint Review

To ensure that award candidates are in good standing with a favorable regulatory history, regulatory reviews of reported complaints and disciplinary actions are conducted for each candidate.

As part of the regulatory review, Five Star Professional conducts a review of each award candidate as reported by FINRA and the SEC. For wealth managers with a CRD Number, Five Star Professional relies on the wealth manager's FINRA BrokerCheck Report and/or the SEC Investment Adviser Public Disclosure website. For wealth managers without a CRD Number, Five Star Professional relies on Form ADV for the wealth manager's firm.

Additionally, Five Star Professional promotes, via local advertising and through their website, the opportunity to submit feedback – including whether a consumer had an unsatisfactory experience – regarding a wealth manager. Complaint data submitted in this way serves as an early alert system to unfiled consumer complaints and augments the regulatory review of reported complaints. A favorable regulatory and complaint history is defined by Five Star Professional to mean that the wealth manager has not:

- Been subject to a regulatory action that resulted in a license being suspended or revoked, or payment of a fine
- Had more than a total of three settled or pending complaints filed against them (and no more than five total pending, dismissed, or denied) with any regulatory authority
- Individually contributed to a financial settlement of a customer complaint
- Within the past 11 years:
  - Been terminated from a wealth management or financial services firm
  - Filed for personal bankruptcy
  - Been convicted of a felony

Wealth managers who do not have a favorable regulatory history, based upon the criteria listed above, are removed from consideration.

Each wealth manager who passes the Five Star regulatory and complaint history review must also attest that they meet the definition of a favorable regulatory history, based upon the criteria listed above. This step occurs at the time the wealth manager submits information about themselves and their practice (see item B).

# FIVE STAR WEALTH MANAGER AWARD

## Program Summary and Research Methodology

### RESEARCH METHODOLOGY

#### • Selection Process

##### 1. Collect Award Candidate Data

Five Star Professional invites each award candidate to submit information about themselves and their practice, including specific data related to eligibility and selection criteria. Candidates are required to certify that the information they provide is accurate. Award candidates who satisfy the following 10 objective eligibility and evaluation criteria associated with providing quality services to their clients receive the Five Star Wealth Manager award.

###### Eligibility Criteria – Required

1. Credentialed as an investment adviser representative or a registered investment adviser.
2. Actively employed as a registered investment adviser representative or as a principal of a registered investment adviser firm for a minimum of five years.
3. Favorable regulatory and complaint history review.
4. Fulfilled their firm review based on internal firm standards.
5. Accepting new clients.

###### Evaluation Criteria – Considered

6. One-year client retention rate.
7. Five-year client retention rate.
8. Non-institutional discretionary and/or non-discretionary client assets administered.
9. Number of client households served.
10. Education and professional designations.

The specific numeric values for some of the objective evaluation criteria are determined after the wealth managers have submitted their data forms. For example, Five Star Professional will determine the numeric requirement for the client assets administered after the data forms have been received. This helps ensure a final list that is appropriately sized for the market, and it also allows Five Star Professional to accommodate the varying levels of client assets administered by wealth managers in different regions of the country.

It is recognized that the data for a wealth manager's five-year client retention rate may not be available. Therefore, submission of this data is optional and is only considered if provided. The one-year and five-year client retention rates are uniquely weighted based on market-specific submitted data to minimize the impact of non-submission.

---

##### 2. Evaluate Award Candidates

Once the data forms are collected, award candidates are evaluated based on the 10 eligibility and evaluation criteria.

---

##### 3. Firm Review

Each firm has the opportunity to review the preliminary award winners from its firm. As part of their review, firms are able to remove individuals from the preliminary list of award winners for internal company reasons such as failure to adhere to company standards (behavior, performance, compliance, etc.).

---

##### 4. Award Winner Notification

Five Star Wealth Managers are notified of their inclusion on the final list of award winners.

# FIVE STAR WEALTH MANAGER AWARD

## Program Summary and Research Methodology

### AWARD LIST PUBLICATION

The contracting magazine publishes an article, prepared by Five Star Professional, which describes the nomination and evaluation process of award winners. For city/metro markets, the special section also presents the resulting list of Five Star Wealth Managers. Five Star Wealth Managers are also listed on [fivestarpromotional.com](http://fivestarpromotional.com) for the duration of their award year.

Wealth Managers do not pay a fee to be included in the research process or to be named a Five Star Wealth Manager. In connection with publication of the magazine section, wealth managers may elect to pay a fee to include a photo and certain profile information in the “profiles” section that accompanies the article. For additional fees, Five Star Professional will provide award winners with strategies and tools for further publicizing being named a Five Star Wealth Manager. A wealth manager’s purchase of a profile or other services does not influence Five Star Professional’s determination of whether to include or exclude a particular wealth manager from any list of Five Star Wealth Managers.

In the Investment Advisers Association No Action Letter (December 2, 2005), the SEC Staff lists eight factors that investment advisers should consider when determining whether any advertisement containing a third-party rating is false or misleading. Appendix B describes how the Five Star Wealth Manager program satisfies each of the factors.

#### **The following research declarations are included in the section article:**

- Five Star Wealth Managers do not pay a fee to be included in the research or the final list of Five Star Wealth Managers.
- The Five Star award is not indicative of the wealth managers’ future performance.
- Wealth managers may or may not use discretion in their practice and therefore may not manage their clients’ assets.
- The inclusion of a wealth manager on the Five Star Wealth Manager list should not be construed as an endorsement of the wealth manager by Five Star Professional or the magazine.
- Working with a Five Star Wealth Manager, or any wealth manager, is no guarantee as to future investment success, nor is there any guarantee that the selected wealth managers will be awarded this accomplishment by Five Star Professional in the future.
- Five Star Professional is not an adviser firm and the content of this article should not be considered financial advice.
- The award methodology does not evaluate the quality of services provided.

For more information on the Five Star award and the research/selection methodology, go to [fivestarpromotional.com](http://fivestarpromotional.com).

# Appendix A – FIVE STAR WEALTH MANAGER Program Summary Chart

## Research Objective

Our research objective is to recognize wealth management professionals who show a commitment to clients, demonstrate strong industry credentials and are evaluated on the quality of their current practice.

## Award Requirements

To receive the Five Star Wealth Manager award, a wealth manager must satisfy 10 objective eligibility and evaluation criteria.

## Sources of Award Candidates

### Adviser Peers

State- and SEC-registered wealth managers, as defined by an outside data provider, and past Five Star Wealth Manager award winners are contacted as part of the peer nomination process. Each peer may nominate up to six wealth managers. Self-nominations are not accepted.

### Adviser Firms

Registered investment advisers and registered investment adviser representatives, as identified by a third-party data firm, are contacted as part of the firm nomination process. A firm may nominate up to 10% of its wealth managers in the market for consideration. Firms with fewer than 10 wealth managers in a market may nominate one wealth manager.

### Pre-Qualification

Internal and external data sources are used to identify relevant and high-potential candidates. Multiple pre-qualification attributes are considered and may include years in the industry, fiduciary status and assets administered, among others.

## Regulatory Review

Regulatory reviews of reported complaints and disciplinary actions are conducted for each award candidate and consumer feedback is gathered to augment the process.

## Award Eligibility and Evaluation Criteria

Award candidates who move on in the process are asked to submit information related to the 10 objective eligibility and evaluation criteria below. The following 10 criteria are used in determining the Five Star Wealth Manager award winners:

### Eligibility Criteria – Required

1. Credentialed as an investment adviser representative or a registered investment adviser.
2. Actively employed as a registered investment adviser representative or as a principal of a registered investment adviser firm for a minimum of five years.
3. Favorable regulatory and complaint history review.<sup>1</sup>
4. Fulfilled their firm review based on internal firm standards.
5. Accepting new clients.

### Evaluation Criteria – Considered

6. One-year client retention rate.
7. Five-year client retention rate.<sup>2</sup>
8. Non-institutional discretionary and/or non-discretionary client assets administered.
9. Number of client households served.
10. Education and professional designations.

The specific numeric values for some of the objective evaluation criteria are determined after the wealth managers have submitted their data forms. For example, Five Star Professional will determine the numeric requirement for the client assets administered after the data forms have been received. This helps assure a final list that is appropriately sized for the market, and it also allows Five Star Professional to accommodate the varying levels of client assets administered by wealth managers in different regions of the country.

<sup>1</sup>Feedback from consumers, including whether respondents had an unsatisfactory experience with a wealth manager is used to augment the regulatory history review.

<sup>2</sup>It is recognized that the data for a wealth manager's five-year client retention rate may not be available; therefore, submission of this data is optional and is only considered if provided. The one-year and five-year client retention rates are uniquely weighted based on market-specific submitted data to minimize the impact of non-submission.

# Appendix A – FIVE STAR WEALTH MANAGER Program Summary Chart

## Firm Review

Each firm has the opportunity to review preliminary award winners from its firm and remove individuals for internal company reasons.

## Program Presentation and Discussion With SEC Staff

The Five Star Wealth Manager award program was presented and discussed with the SEC Staff in Washington D.C., in June 2011. The SEC Staff verbally advised Five Star Professional that the program does not constitute a client testimonial. In the Investment Advisers Association No Action Letter (December 2, 2005) the SEC Staff lists eight factors that investment advisers should consider when determining whether any advertisement containing a third-party rating is false or misleading. Appendix B describes how the Five Star Wealth Manager program satisfies each of the factors.

## Award List Publication

The list of Five Star Wealth Managers for each market is published in the leading city and regional magazine and/or business publication and on [fivestarprofessional.com](http://fivestarprofessional.com). Five Star award winners do not pay a fee to be included in the research or the final list of award winners.

# Appendix B – Adherence to SEC Eight Factors

In the Investment Advisers Association No Action Letter (December 2, 2005), the SEC Staff lists eight factors that investment advisers should consider when determining whether any advertisement containing a third-party rating is false or misleading. Five Star Professional's analysis of how the Five Star Wealth Manager award program satisfies each of the factors is below. Please note that the Five Star Wealth Manager program does not rate or rank advisers but rather identifies wealth managers who satisfy 10 objective eligibility and evaluation criteria.

1. Whether the advertisement discloses the criteria on which the rating is based.

## Five Star Program Adherence

The editorial copy in the program article (under the heading "Determination of Award Winners") describes the objective eligibility and evaluation criteria.

The following 10 objective eligibility and evaluation criteria are considered in determining the Five Star Wealth Manager award winners.

### Eligibility Criteria – Required

1. Credentialed as an investment adviser representative or a registered investment adviser.
2. Actively employed as a registered investment adviser representative or as a principal of a registered investment adviser firm for a minimum of five years.
3. Favorable regulatory and complaint history review.<sup>1</sup>
4. Fulfilled their firm review based on internal firm standards.
5. Accepting new clients.

### Evaluation Criteria – Considered

6. One-year client retention rate.
7. Five-year client retention rate.<sup>2</sup>
8. Non-institutional discretionary and/or non-discretionary client assets administered.
9. Number of client households served.
10. Education and professional designations.

The specific numeric values for some of the objective evaluation criteria are determined after the wealth managers have submitted their data forms. For example, Five Star Professional will determine the numeric requirement for the client assets administered after the data forms have been received. This helps assure a final list that is appropriately sized for the market, and it also allows Five Star Professional to accommodate the varying levels of client assets administered by wealth managers in different regions of the country.



## Appendix B - Adherence to SEC Eight Factors

### Five Star Program Adherence Continued

<sup>1</sup>Feedback from consumers, including whether respondents had an unsatisfactory experience with a wealth manager, is used to augment the regulatory history review.

<sup>2</sup>It is recognized that the data for a wealth manager's five-year client retention rate may not be available; therefore, submission of this data is optional and is only considered if provided. The one-year and five-year client retention rates are uniquely weighted based on market-specific submitted data to minimize the impact of non-submission.

2. Whether an investment adviser advertises any favorable rating without disclosing any facts that the adviser knows would call into question the validity of the rating or the appropriateness of advertising the rating (e.g., the adviser knows that it has been the subject of numerous client complaints relating to the rating category or in areas not included in the survey).
3. Whether an investment adviser advertises any favorable rating without also disclosing any unfavorable rating of the adviser.

### Five Star Program Adherence

Wealth managers who satisfy the 10 objective eligibility and evaluation criteria (listed above) are named Five Star Wealth Managers for the year.

Although individual wealth managers have responsibility for disclosing negative information in connection with their use of the article or any subsequent advertisement, Five Star Professional has imposed objective eligibility criteria to exclude wealth managers with unfavorable regulatory or firm feedback.

These eligibility and evaluation requirements include:

Objective Eligibility Criteria #3: Wealth manager must have a favorable regulatory and complaint history. A favorable regulatory and complaint history is defined by Five Star Professional to mean that the wealth manager has not:

- Been subject to a regulatory action that resulted in a license being suspended or revoked, or payment of a fine
- Had more than a total of three settled or pending customer complaints filed against them (and no more than 5 total pending, dismissed, or denied) with any regulatory authority
- Individually contributed to a financial settlement of a customer complaint
- Been terminated from a wealth management or financial services firm (within the past 11 years)
- Filed for personal bankruptcy (within the past 11 years)
- Been convicted of a felony (within the past 11 years)

Five Star Professional utilizes two processes to ensure that a favorable regulatory history exists.

- Five Star Professional conducts a regulatory review of each wealth manager using the FINRA BrokerCheck website and SEC IAPD. Wealth managers who do not have a favorable regulatory history, based upon the eligibility criteria listed above, are removed from consideration.
- Each wealth manager who passes the Five Star regulatory review must attest that they meet the definition of favorable regulatory history, based upon the eligibility criteria listed above. This step occurs at the time the wealth manager submits information about themselves and their practice.

Objective Eligibility Criteria #4: Fulfilled their firm review based on internal firm standards.

4. Whether the advertisement states or implies that an investment adviser was the top-rated adviser in a category when it was not rated first in that category
5. Whether, in disclosing an investment adviser's rating, the advertisement clearly and prominently discloses the category for which the rating was calculated or determined, the number of advisers surveyed in that category, and the percentage of advisers that received that rating.

## Appendix B - Adherence to SEC Eight Factors

### Five Star Program Adherence

The editorial copy in the program article does not categorize, rate or rank wealth managers.

Wealth managers must satisfy Objective Eligibility Criteria #1: Wealth manager must be credentialed as an investment adviser representative or a registered investment adviser.

The editorial copy in the Program article (under the heading “Determination of Award Winners”) describes the objective eligibility and evaluation criteria (listed in item 1 above) that wealth managers must satisfy. Wealth managers who satisfy the 10 objective eligibility and evaluation criteria receive the Five Star Wealth Manager award.

The footnotes of the editorial copy identify:

- The total number of award candidates considered for the Five Star Wealth Manager award, and
- The number and percentage of wealth managers who successfully satisfied the 10 objective eligibility and evaluation criteria and received the Five Star Wealth Manager award.

Wealth Managers are allowed to list a primary financial service they provide their clients. Service categories include: Business Planning; Financial Planning; Insurance; Investments.

6. Whether the advertisement discloses that the rating may not be representative of any one client’s experience because the rating reflects an average of all, or a sample of all, of the experiences of the investment adviser’s clients.

### Five Star Program Adherence

The editorial copy in the program article (under the heading “Award Candidates”) states “award candidates are identified by one of three sources; firm nomination, peer nomination or pre-qualification based on industry standing.” Wealth managers cannot be nominated by a client. The editorial copy in the program article (under the heading “Determination of Award Winners”) describes the objective eligibility and evaluation criteria (listed in item 1 above) that wealth managers must satisfy. Wealth managers who satisfy the 10 objective eligibility and evaluation criteria receive the Five Star Wealth Manager award.

7. Whether the advertisement discloses that the rating is not indicative of the investment adviser’s future performance

### Five Star Program Adherence

The editorial copy in the Program article (under the heading “Research Disclosures”) includes the following disclosures regarding the wealth manager’s future performance: “The Five Star award is not indicative of the wealth managers’ future performance.” “Working with a Five Star Wealth Manager or any wealth manager is no guarantee as to future investment success nor is there any guarantee that the selected wealth managers will be awarded this accomplishment by Five Star Professional in the future.” “The inclusion of a wealth manager on the Five Star Wealth Manager list should not be construed as an endorsement of the wealth manager by Five Star Professional or this publication.”

8. Whether the advertisement discloses prominently who created and conducted the survey, and that investment advisers paid a fee to participate in the survey.

### Five Star Program Adherence

The editorial copy in the program article includes statements that Five Star Professional created and conducted the survey. The editorial copy in the program article (under the heading “Research Disclosures”) includes the following disclosure: “Wealth managers do not pay a fee to be considered or placed on the final list of Five Star Wealth Managers.”