



# Accredited Investors

## WEALTH MANAGEMENT®

### **Part 2A of Form ADV: *Firm Brochure***

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This brochure provides information about the qualifications and business practices of Accredited Investors Wealth Management (“Accredited”). If you have any questions about the contents of this brochure, please contact us at 952-841-2222. 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.

Additional information about Accredited Investors Wealth Management. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 105439.



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## **Item 2 Material Changes**

Accredited Investors Wealth Management has no materials changes to report since our last annual update.

Clients will receive a summary of any material changes to this and subsequent Brochures by April 30<sup>th</sup> of each year. Furthermore, we will provide you with interim summary disclosures promptly when certain information becomes materially inaccurate.



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## Item 4 Advisory Business

Accredited Investors Wealth Management is an independently owned firm located in Edina, Minnesota. Accredited began conducting business in 1987.

Accredited is wholly-owned by a group of employee shareholders. Listed below are the firm's principal owners (i.e., those individuals and/or entities controlling 25% or more of this company):

- Ross Levin, Chief Executive Officer & Founder
- Wil Heupel, President & Founder

Advisory services may include some or all the following, and may include other services separately agreed upon between the client and Accredited:

### **WEALTH MANAGEMENT SERVICES**

Accredited works with clients to offer customized, comprehensive, fee-only wealth management solutions specific to the client's financial needs and circumstances. Our work is based on Ross Levin's book, *Implementing the Wealth Management Index*, published by Bloomberg Press. We have a strong emphasis on the link between money and values. Our process is client focused and collaborative, where the client takes an active role in the decision-making process. Each client has a dedicated team of advisors who work with them to meet their individual wealth management needs.

In general, our wealth management services cover any or all of the following areas:

**ASSET PROTECTION** covers wealth management strategies that intend to preserve an individual's wealth and protect it from potential risks. This consists primarily of various types of insurance: life insurance, long-term care insurance, property and casualty insurance, and medical insurance.



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**DISABILITY & INCOME MANAGEMENT** focuses on planning for income and taxes. This consists of protecting future income, analyzing current and future cash flow objectives and needs, and income tax planning.

**DEBT MANAGEMENT** is focused on tracking and analysis of personal debt and net worth. Personal debt is typically divided into home loans, such as mortgages and home equity lines of credit, personal loans, and business debt.

**ESTATE PLANNING** consists of strategic planning for asset transfer at death as well as the tracking of any documents that may be relevant to an individual's estate. It also involves charitable planning and gifting strategies. This includes beneficiary designations, legal documents such as trusts and wills, and the assignment of legal representatives.

**INVESTMENT PLANNING** is concerned with the ownership and maintenance of any assets reflected on an individual's balance sheet as well as the appropriate investment management for the individual's portfolio of assets. This includes individual savings, managed investment accounts, qualified retirement plans, business ownership, home ownership, and non-traditional assets.

### **INVESTMENT ADVISORY SERVICES**

Our firm provides advice to clients regarding the investment of client funds reflecting the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizon, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.



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Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities: *Mutual Funds, Exchange Traded Funds, Closed End Funds, Individual Equity Securities, and Individual Fixed Income Securities.*

Accredited, with client approval and authorization, may use third party managers to manage a portion of clients' accounts. Whenever a portion of client assets are allocated to a third-party manager as part of a client's asset allocation, Accredited performs periodic due diligence of the manager(s) and monitors clients' accounts to ensure the third party manager(s) are managing client's assets in accordance with the client's investment management agreement. Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability.

### **Amount of Managed Assets**

As of 12/31/2018, we were actively managing \$1,791,269,253 of clients' assets on a discretionary basis plus \$78,108,609 of clients' assets on a non-discretionary basis.

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

Accredited Investors Wealth Management receives no commissions, referral fees, or expense reimbursements from any of our recommendations. Our fees are charged based on a percentage of assets as follows:

Up to \$5,000,000 – 1% annually  
\$5,000,000 - \$10,000,000 – 0.75% annually, plus fees of the first pricing level  
\$10,000,000 - \$15,000,000 – 0.50% annually, plus fees of the first two levels  
Over \$15,000,000 – 0.25% annually, plus fees of the first three levels

We charge only against those assets we consider to be managed.



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Fees are calculated annually as a percentage of the market value of assets under management and are based on the client's anniversary date. Fees are paid quarterly, in advance, and represent one-quarter of the agreed upon annual fee adjusted for applicable asset flows. Typically, a client will authorize its custodian to deduct Accredited's fee directly from their account. Upon request, Accredited will send an invoice directly to the client.

Accredited's fee schedule is non-negotiable and is subject to a minimum annual fee of \$20,000. Accredited offers limited exceptions to the standard minimum annual fee based on client-specific factors such as life phase, liquidity events and/or composition of wealth. Any reduced minimum annual fee arrangement is designed to be temporary in duration, with Accredited establishing a customized plan with the client to get to the standard minimum annual fee as soon as practicable.

Accredited may waive or reduce advisory fees and/or minimums for certain clients, such as charitable organizations or employees and members of their families. We also may offer families an opportunity to receive fees consistent with their aggregate assets under management. The client's Investment Advisory and Wealth Management Agreement will outline the agreed upon fee.

Accredited has other past fee schedules and fee minimum arrangements in effect, which may reflect fee schedules and minimum annual fees that are lower than those shown above. Accredited honors these legacy arrangements.

The client agreement may be cancelled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will prorate the reimbursement according to the number of days remaining in the billing period.



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All fees paid to Accredited for services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives.

In cases where Accredited recommends a third-party manager to manage a portion of the client's assets, the third-party manager will generally charge a fee exclusive of, and in addition to, Accredited Investor's advisory fee.

Accordingly, the client should review both the fees charged by the funds/managers and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

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

Accredited Investors Wealth Management does not charge performance-based fees. Refer back to Item 5 for our fee and compensation practices.



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## **Item 7 Types of Clients**

Accredited Investors Wealth Management provides advisory services to the following types of clients:

- Individuals and families
- Trusts
- Foundations and endowments
- Charitable organizations
- Pension and profit sharing plans (other than plan participants)
- Corporations or other business not listed above

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

At Accredited Investors Wealth Management, our investment decisions are guided by the theory of mean reversion. This investment theory states that while valuations and returns for various assets may vary substantially, over time valuations will return to their long-term average. This leads to a clear-cut investment principle: buy low and sell high.

While in concept this philosophy is quite straightforward, its implementation requires a disciplined approach.

We tend to not chase investment returns, or move capital to “hot” sectors or assets. We focus on long-term results by allocating capital to areas of the market where we perceive the most attractive relative valuations and therefore the greatest potential returns.

The Investment Committee (“The IC”), which is led by the Managing Director of Investment Management and includes the Chief Executive Officer and Investment Managers of the firm, incorporates this approach into our portfolio construction process.



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## **Portfolio Construction – Strategic**

The firm currently has five strategic asset allocations which vary based on risk and return. The mix is determined by the long term historical characteristics of each asset class and is therefore rarely altered. The strategic asset allocation is tailored for each client within appropriate models, based on factors such as risk tolerance, portfolio liquidity needs, and time horizon.

## **Portfolio Construction – Tactical**

Using the strategic asset allocation as a framework, the IC then looks to tactically deploy capital to asset classes with the most attractive investment prospects. These decisions are based on valuations relative to historic averages and to other asset classes, on our expectations for economic and market conditions, and on business and financial fundamentals.

## **Investment Selection**

Finally, the IC decides on the specific investment vehicle to represent the strategic and tactical asset allocations. The vast majority of the firm's assets are held in the form of Exchange-Traded Funds (ETFs) and mutual funds, both actively and passively managed. Although the factors change based on market conditions and asset class, general considerations are expense ratios, fund size, firm size, risk and return metrics, performance history, compensation practices, and style biases. We only purchase mutual funds that we can buy without sales charges and due to our significant asset base, generally have access to institutional share classes when available which may have trading costs, but typically also have lower internal fees.

As noted above, Accredited may use third party managers to manage a portion of client accounts. Accredited has no control over the investment strategies or decisions of third-party managers; however, Accredited will monitor client accounts and perform due diligence of third party managers. Should Accredited become dissatisfied with the investment decisions of a



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third-party manager it may recommend the client discontinue the use of that third-party manager.

In specific situations, and when appropriate based on individual circumstances, the firm may also utilize other investment options, such as private investments, variable or immediate annuities, or certificates of deposit.

The IC believes investing presents a number of risks, measurable and otherwise. Some, but not all, of the risks include fluctuations relating to general economic conditions, interest rates, inflation ratios, functioning of the credit markets including liquidity risk, earnings and earnings expectations, political risk including regulations and changes in laws, and currency risks.

The IC employs margin to bridge settlement differences between ETFs and mutual funds. The IC does not regularly employ short selling or option trading but may do so at the request or need of the client.

### **Cash Management**

For clients with known liquidity needs, we advise setting aside cash or cash equivalents outside of their invested portfolios for the purpose of funding future expenses. We believe that this approach to managing cash reduces the risk of the overall portfolio for clients with liquidity needs. By setting aside cash for near-term expenses, we reduce the likelihood that assets would need to be sold at relatively low valuations in order to generate liquidity, and instead can attempt to proactively raise cash when asset valuations are more attractive.

The total recommended size of the cash reserve varies based upon market valuations as determined by the IC, and will generally fall within a band equivalent to 12 to 36 months of cash spending needs. The specific targeted range for cash reserves within that band at any given time will be based upon the recommendation of the IC in light of current market valuations, as well as a client's individual circumstances and preferences.



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Investing in securities involves risk of loss that clients should be prepared to bear.

## **Item 9 Disciplinary Information**

Accredited Investors Wealth Management and its employees do not have legal or disciplinary events to disclose.

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

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Accredited Investors Wealth Management has adopted a Code of Ethics ("the Code") which sets forth the high ethical standards of conduct required of our employees, including compliance with applicable federal securities laws. The purpose of the Code is to preclude activities which may lead to or give the appearance of unethical business conduct.

The Code is designed to, among other things; provide reasonable assurance that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. Further, any related person(s) may have an interest or transact in a security for their own accounts at or about the same time that Accredited recommends or invests in that same security for a client. A conflict of interest may exist in such cases because employees could trade ahead of clients and



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potentially receive more favorable prices. To monitor this conflict, Accredited requires employees to report personal investment holdings and securities transactions. Employees are also required to obtain prior approval of any acquisition of securities in a limited offering (e.g., private placement) or initial public offering. Accredited reviews this information for compliance the Code.

A copy of our Code of Ethics is available to current and prospective clients upon request.

## **Item 12 Brokerage Practices**

Accredited Investors Wealth Management will endeavor to select those brokers or dealers which will provide the best services at the lowest possible cost. Brokers and dealers are selected based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services.

Accredited recommends the brokerage and custodial services of Charles Schwab & Co., Inc. ("Schwab" or "Schwab Institutional"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Accredited recommends Schwab based on a number of factors including service, fees, financial strength, execution, and pricing. While we usually recommend clients establish accounts at Schwab, we also have relationships with Fidelity Brokerage Services LLC ("Fidelity"), Pershing LLC ("Pershing") and TD Ameritrade ("TDA"). It is the client's decision to custody assets at a given custodian. Accredited is independently owned and operated and not affiliated with any broker dealers.

### **Research and Other Soft Dollar Benefits**

Accredited does not maintain any arrangements with broker-dealers or third parties for "soft dollar benefits" in connection with client securities transactions.



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Accredited receives benefits for maintaining a certain dollar threshold of client assets at a given custodian. Unlike soft dollar benefits, these benefits do not depend on the amount of brokerage transactions directed to the custodian. Accredited may receive some or all of the benefits listed below:

- access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide pricing and other market data
- facilitate payment of Accredited Investors Wealth Management's fees from client accounts
- assist with back-office functions, record keeping and client reporting
- research related products and tools
- technology, compliance, legal, and business consulting
- educational conferences and events
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants, and insurance providers

While these products and services do not come at any direct cost to client accounts, these benefits may create a potential conflict of interest. Accredited manages this potential conflict of interest by periodically comparing the fees charged and services offered by its custodians with those offered by other custodians.

### **Trade Execution**

Transactions in client accounts are typically executed at the affiliated brokerage entity or division of the custodian that holds the client's assets. Transactions executed by a different broker-dealer are charged a "prime broker" or "trade away" fee. Because of this, in order to minimize trading costs, Accredited will execute most trades with the client's custodian.



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## **Trade Aggregation and Allocation**

Due to the nature of the securities in which we actively trade (specifically, mutual funds and ETFs), securities held in client accounts are generally traded on an individual basis and are not “bunched” or “blocked” with other client trades.

## **Trade Errors**

As a fiduciary, Accredited has the responsibility to effect orders correctly, promptly and in the best interests of our clients. In the event an error occurs in the handling of any client transactions, due to Accredited’s actions, or inaction, or actions of others, Accredited’s policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting Accredited in any way.

If the error is the responsibility of Accredited, any client transaction will be corrected and Accredited will be responsible for any client loss resulting from an inaccurate or erroneous transaction. If a trade error results in a loss, Accredited will fully reimburse the client. If a trade error results in a gain, either the client or the custodian will keep the gain generally as dictated by the custodian’s trade error correction practices. Accredited maintains policies and controls surrounding trade errors, designed to provide reasonable assurance trade errors are properly addressed.

## **Item 13 Review of Accounts**

### **WEALTH MANAGEMENT SERVICES**

A review of the client’s financial situation by the client’s team occurs on a regular and as needed basis. The frequency of client meetings are determined after a conversation with the client and review of their situation and preferences. Client meetings typically provide an environment in which to gather information, present analysis, and make recommendations.



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However, much of the work regarding the development and execution of a client's wealth management strategy are performed in between meetings.

After meeting frequency is determined, agendas are set to help define focus areas for the coming year. These agendas are flexible and change based on the needs of the client and what is most relevant to them at that time.

Reports and deliverables are presented in client meetings to help solidify concepts and illustrate key findings. In addition, each client typically receives a post meeting letter summarizing client goals, next steps, and action items.

### **INVESTMENT ADVISORY SERVICES**

Investment activity in clients' portfolios may be initiated based on deposits, withdrawals, transfers or deviations from the client's targeted asset allocation and therefore may be dependent on market conditions. Additionally, changes in client objectives and risk tolerances may result in investment activity to implement revised allocation targets. Reviews are performed by the Investment Manager in consultation with the client's Wealth Management team.

The Investment Committee reviews performance of the asset class and funds on a weekly basis and can make a change at any time.

In addition to monthly reports provided directly from the custodian to the client, Accredited provides reports to clients on a quarterly basis and during scheduled meetings. Based on client request, the reports are delivered electronically, written or both. Clients can also more frequently access electronic investment information through their custodian or through Accredited's secure, online client vault.



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

It is Accredited Investors Wealth Management's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Accredited's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

As described in Item 12, Accredited may receive services from the client's custodians in consideration of client assets held at the custodian.

## **Item 15 Custody**

All client assets are held at independent, qualified custodians. Under government regulations, advisers are deemed to have custody if they have the ability to control or access client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities.

Accredited is deemed to have custody of client funds and securities if a client:

- Authorizes Accredited to deduct advisory fees directly from their account.
- Signs a Standing Letter of Authorization allowing Accredited to move client assets to a 3<sup>rd</sup> party.
- Provides Accredited with user name and password information to access held away accounts directly on the custodian's website.

Clients receive monthly or quarterly account statements directly from the custodian where their assets are held. Accredited urges clients to carefully review these statements and compare those statements with statements they receive from Accredited.



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## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

Accredited Investors Wealth Management has policies and procedures to ensure that client securities are voted in the best interest of the client and to address conflicts of interest. If Accredited has proxy voting authority with respect to an account, it votes on matters including corporate governance, adoption or amendments to compensations plans (including stock options), and matters involving social issues and corporate responsibility. Accredited also votes on proxies related to mergers, acquisitions, tender offers, bankruptcy proceedings or other types of events. With respect to mutual funds, Accredited votes on matters such as the approval of advisory contracts, distribution plans, and mergers.

If our firm has a potential conflict of interest in voting a particular security, we will notify the client of the conflict and they will have the option to vote their own shares.



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Accredited utilizes a third-party provider to assist with the administrative functions associated with the voting of proxies including electronic delivery of ballots, online voting, and integrated reporting and recordkeeping. All ballots pertaining to investments purchased by Accredited as part of the client's investment policy will be discussed and voted by the Investment Committee. All remaining ballots for securities beneficially owned by the client, but not recommended by Accredited, will generally be voted with the recommendation of the issuer's senior management team.

If a client does not authorize Accredited to vote proxies, clients receive their proxies or other solicitations directly from the custodian or, in case of mutual fund shares, the fund's transfer agent.

A copy of our complete proxy voting policies and procedures, as well as how Accredited voted a specific proxy in the past, are available upon request.

## **Item 18 Financial Information**

Accredited Investors Wealth Management is financially capable of meeting all contractual commitments to clients.

Accredited Investors Wealth Management has never been the subject of a bankruptcy petition.

## **Item 19 Other Information**

### ***Class Actions and Other Legal Proceedings***

Accredited Investors Wealth Management does not participate in legal proceedings, including class actions, on behalf of its clients.



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### ***Relationships with Service Providers***

Accredited has business relationships with certain clients. Clients may serve as service providers to Accredited and/or our clients. For example, a client employed as a business attorney may provide legal services to Accredited and its shareholders, and/or separately for other clients of Accredited. In these situations, the service provider receives no preferential treatment. Any service provider utilized by Accredited, or recommended to a client of Accredited, must go through a selection and vetting process which is owned by internal subject matter experts. In addition to this process, relationships with third party providers are regularly reviewed by members of leadership.