

Anchin Alert

Anchin, Block & Anchin LLP
Accountants and Advisors

July 28, 2016

Net Worth Threshold for “Qualified Clients” Increased by SEC

The U.S. Securities and Exchange Commission (“SEC”) has decided to increase the net worth test threshold for “qualified clients” effective August 15, 2016. In accordance with Rule 205-3 of the Investment Advisers Act of 1940, as amended, the SEC will be raising the net worth threshold for clients from \$2 million to \$2.1 million (excluding the value of the client’s primary residence).

Starting in 2011 the Dodd-Frank Act required the SEC to adjust the thresholds for inflation every 5 years. While the net worth threshold has been increased, the assets under management threshold will remain at \$1 million. Clients who fail to meet one of these thresholds cannot be charged performance based fees. Clients that enter into investment advisory contracts prior to the August 15, 2016 effective date will not be affected by the threshold increase.

See below for link to complete SEC order approving the adjustment:

<https://www.sec.gov/rules/other/2016/ia-4421.pdf>

For more information, contact your Anchin relationship partner or Jeffrey I. Rosenthal, Partner-in-Charge of Anchin’s Financial Services Practice at 212.840.3456.

David Horton contributed to the development of this Anchin Alert.

Jeffrey I. Rosenthal, CPA Jeffrey.Rosenthal@anchin.com Partner-In-Charge	Peter L. Berlant, CPA Peter.Berlant@anchin.com Partner
Jeffrey J. Bowden Jeffrey.Bowden@anchin.com Principal	Marc G. Goldberg, CPA Marc.Goldberg@anchin.com Partner
Mitchell Rosenthal, CPA Mitchell.Rosenthal@anchin.com Partner	E. George Teixeira, CPA George.Teixeira@anchin.com Partner
Edward F. Thorp, CPA Edward.Thorp@anchin.com Partner	David Horton, CPA David.Horton@anchin.com Director



Anchin, Block & Anchin LLP
Accountants and Advisors
1375 Broadway, New York, NY 10018
212.840.3456 • www.anchin.com



Anchin Alert, Copyright © 2016 Anchin Block & Anchin LLP The Anchin Alert is published periodically by Anchin, Block & Anchin LLP, Accountants & Advisors. The Alert contains articles which are general in nature and based on sources which are believed to be authoritative. Specific applications would require consideration of all facts and circumstances by qualified professionals familiar with a taxpayer and therefore we are not liable for the application of any information contained herein. No part of this correspondence may be reproduced or utilized in any form or by any means without written permission from Anchin, Block & Anchin LLP.