Investment Product

and

Services Overview

June 2020

Investment Product and Services Overview

This booklet contains important information regarding your account(s) and is intended to help you understand the investment products and services we offer and the fees and costs to you for such products and services and to provide more individualized disclosure where appropriate.

Certain disclosures and sections of this booklet may not apply to all of your account(s), depending on the type of account(s) that you have opened, the services that you have elected to receive, and the types of investments you make.

In this brochure the words “you,” “your,” “yours,” “investor,” and “client” refer to account holders of brokerage and investment advisory accounts. References to “we,” “our,” and “us” refer to your Atria broker-dealer. References to “financial professional” are to the individual who interacts directly with you in providing investment advice, recommending the purchase or sale of an investment product, or provides other services such as financial planning or insurance products

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The Atria Wealth Solutions Family

Atria Wealth Solutions, Inc. (Atria) is a wealth management solutions holding company focused on delivering a clear path to the future of financial advice for our advisors and clients. Headquartered in New York City, Atria's broker-dealer subsidiaries empower financial institutions and independent financial professionals with a sophisticated set of tools, services, and capabilities. Atria's broker-dealer subsidiaries include CUSO Financial Services, L.P., Sorrento Pacific Financial, LLC, Cadaret, Grant & Co., Inc., and NEXT Financial Group, Inc. (referred to in this brochure as an "Atria broker-dealer")

CUSO Financial Services, L.P. and Sorrento Pacific Financial, LLC

Established in 1997, full-service, sister broker-dealers CUSO Financial Services, L.P. and Sorrento Pacific Financial LLC ("CFS/SPF") provide customized investment and insurance solutions to over 200 financial institutions throughout the country. Headquartered in San Diego, California, with branch offices nationwide, both broker dealers are registered, licensed, and/or qualified to transact business pursuant to the laws, statutes, rules and regulations of the United States Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board, and all 50 states and the District of Columbia.

CFS/SPF provide investment and advisory products and services to financial institution clients (banks and credit unions) through their financial professionals. This arrangement enables the financial institution to provide a broad range of investment products and services to its clients through CFS/SPF without becoming a broker-dealer or registered investment adviser.

Cadaret, Grant & Co., Inc.

Cadaret, Grant & Co., Inc. ("Cadaret Grant") is a full-service independent broker-dealer headquartered in Syracuse, New York servicing approximately 900 financial advisors in 475 branch offices nationwide. Founded in 1985, Cadaret Grant is registered, licensed, and/or qualified to transact business pursuant to the laws, statutes, rules and regulations of the SEC, FINRA, the Municipal Securities Rulemaking Board, and all 50 states and the District of Columbia.

NEXT Financial Group, Inc.

NEXT Financial Group, Inc. ("NEXT") is a full-service independent broker-dealer with a home office in Houston, Texas, servicing over 500 independent financial advisors throughout the country. NEXT is registered, licensed, and/or qualified to transact business pursuant to the laws, statutes, rules and regulations of the SEC, FINRA, the Municipal Securities Rulemaking Board, and all 50 states and the District of Columbia.

The Atria Vision

As full-service broker dealers and registered investment advisors, each Atria firm provides its financial professionals with an array of investment and financial planning products and services for you and partners with your financial institution to provide investment and planning products and services for you.

Products and services

With access to investments, insurance, and small business and self-directed solutions, we have an array of offerings to meet the preferences and risk tolerances of every client. Our online and mobile services make it possible to manage your investments anywhere, any time.

Technology tools

We provide the technology tools to meet your objectives and keep your financial professional efficient, flexible, and knowledgeable.

Independent Contractor Model

NEXT and Cadaret Grant operate using a business model where their financial professionals are primarily independent contractors. Each of their branch offices is independently owned and operated by their financial professionals, and is supported by a nationwide network.

As an independent contractor, your financial professional has autonomy in managing his or her own business. In dealing with your investments as a registered or investment adviser representative of NEXT or Cadaret Grant, your financial professional acts in accordance with our firm policies, and places your interests first.

As an independent contractor, your financial professional may have a business other than securities or investment advisory separate from, and unaffiliated with, us. If properly licensed, your financial professional, under a separate marketing identity, may offer non-securities products and services including, among others:

- Real estate brokerage
- Legal services
- Accounting services
- Estate planning
- Business planning
- Tax preparation
- Life or health insurance

A financial professional, in certain cases, receives more compensation, benefits, and non-cash compensation through an outside business activity than through NEXT or Cadaret Grant. As an example, a financial professional could provide advisory or financial planning services through an unaffiliated investment advisory firm, sell insurance through a separate business, or provide third-party administration to retirement plans through a separate firm.

In addition, a financial professional may sell insurance through an insurance agency not affiliated with us. In those circumstances, the financial professional would be subject to the policies and procedures of the third-party insurance agency related to the sale of insurance products and would have different conflicts of interest than when acting on behalf of NEXT or Cadaret Grant. A financial professional may receive compensation, benefits, and non-cash compensation through the third-party insurance agency and may have an incentive to recommend you purchase insurance products away from us.

If you contract with a financial professional for services separate or away from NEXT or Cadaret Grant, you should discuss with them any questions you have about the compensation they receive from the engagement. Additional information about a financial professional's outside business activities is available on FINRA's website at http:// brokercheck.finra.org.

Financial Institutions

CUSO Financial Services, L.P. and Sorrento Pacific Financial LLC (CFS/SPF) provide investment and advisory products and services to financial institution clients (banks and credit unions) through their financial professionals. CFS/SPF and the financial institution, a separate legal entity, enter into a financial services agreement known as a joint marketing arrangement whereby CFS/SPF financial professionals offer investment services to the financial institution's customers. In some cases, the financial professionals operate from a financial institution branch office. This arrangement enables the financial institution to provide a broad range of investment products and services to its clients through CFS/SPF without becoming a broker-dealer or registered investment adviser. CFS/SPF is responsible for supervising the financial professional's investment services. A CFS/SPF financial professional may be an employee of a financial institution, an employee of CFS/SPF, or an independent contractor.

In addition to the foregoing services, CFS/SPF also offer investment services through independent contractors who are not affiliated with a financial institution. These independent contractor arrangements are similar to those services provided by NEXT and Cadaret Grant as described above.

Understanding Your Brokerage and Investment Advisory Relationships

Depending on your needs and investment objectives, we may assist you with brokerage services, investment advisory services, insurance products, or all three. There are important differences between brokerage and advisory accounts, including their costs, the services we provide and the rules that govern them. You should carefully consider these differences when deciding which type, or combination of types, of services and accounts are right for you. Each Atria firm is registered as

both a broker-dealer and an investment advisor under federal and state securities laws, and provides services in both capacities. In accordance with the rules of the Financial Industry Regulatory Authority (FINRA), whether acting in a brokerage or advisory capacity, each Atria broker-dealer must observe high standards of commercial honor and just and equitable principles of trade.

What are brokerage accounts and services? When we act as a broker-dealer in connection with your brokerage account, we facilitate the execution of transactions (the purchase and sale of securities (stocks, bonds, mutual funds and ETFs)) based on your instructions. In addition, when we act as a broker, we also offer investor education, research, financial tools, and personalized information about financial products and services, including recommendations about whether to buy, sell, or hold securities. We do not charge a separate fee for these services because these services are part of, and incidental to, our brokerage services.

What is our role when handling a brokerage account? Our responsibilities include that we:

- obtain your investment profile, including your age, investment experience, time horizon, liquidity needs, risk tolerance, financial situation and needs, tax status, and investment objectives;
- recommend investments that we believe are suitable for you based on your investment profile;
- act in your best interest[1], without placing our or our financial professionals financial or other interest ahead of your interest when we make a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to you;
- provide information to you about investments based on the nature of the security as well as its potential risks and rewards; and
- obtain prices for trades that are fair and reasonable according to market conditions and make sure that the commissions and fees that you pay are not excessive.

Your financial professional helps you identify your investment profile, goals, and strategies to assess the types of investments that may be appropriate for you. Then your financial professional discusses investments with you based on your investment profile. Your financial professional serves as your key relationship contact for all of your accounts.

When we act as your broker-dealer, we do not have discretion to buy and sell securities for you (except in some very limited circumstances). This means that you must approve each trade before it is executed and that you, not we, make individual buy, sell, and hold decisions. When we act as a broker-dealer, we are paid by you and, sometimes, by third parties who compensate us based on what you buy.

For brokerage retirement accounts,[2] we act in your best interest[3] but will not necessarily be considered a fiduciary under the Employee Retirement Income Security Act of 1974 (ERISA) or under section 4975 of the Internal Revenue Code (Code).

What are investment advisory accounts and services? In addition to brokerage services, each Atria broker-dealer offers a variety of investment advisory programs and services to its clients, including comprehensive financial planning, nondiscretionary and discretionary asset management, and advice on the selection of professional asset managers, third-party

[1] The SEC's "best interest obligation "requires that we:

- provide you with certain disclosures before or at the time of a recommendation about the recommendation and our relationship with you;
- exercise reasonable diligence, care, and skill in making a recommendation; and
- establish, maintain, and enforce written supervisory procedures reasonably designed to address conflicts of interest and achieve compliance with Regulation Best Interest.

[2] Retirement accounts include an Individual Retirement Account (IRA), Roth IRA, Health Savings Account (HSA), Coverdell Education Savings Account (ESA), Archer Medical Savings Account, a Plan covered by Title I of ERISA, or a plan described in section 4975(e)(1)(A) of the Code.

strategists, and securities offered through our investment advisory programs and platforms.

Investment advisory services allow you to choose how involved you want to be with daily investment decisions. You may choose to delegate such decisions to a third-party asset manager or your financial professional or choose a hands-on approach. The services we offer depend on which advisory program you select.

We act as your investment advisor only when you have entered into a written agreement with us that describes our advisory relationship and our obligations to you. You also will receive a disclosure brochure about our advisory services that describes, among other things, our business, the services we provide, our advisory fees, our personnel, and potential conflicts between our interests and yours. Investment advisers are governed by the Investment Advisers Act of 1940 and applicable state securities laws. When acting as your investment adviser, we are considered to have a fiduciary relationship with you. The fact that we owe fiduciary duties to you as an investment adviser does not mean we are or have accepted responsibility as a fiduciary under ERISA or the Code.
For advisory retirement accounts, where we regularly provide recommendations for a fee to you, we are acting as a fiduciary under ERISA and/or the Code and will always make recommendations that are in your best interest.[3]

In an advisory relationship we are obligated to:

- Disclose or avoid material conflicts of interest.
- Obtain your consent prior to purchasing securities from you, or selling securities to you, for our own account (acting as principal).
- Conduct proper due diligence on investment choices and review a client's investment objectives and risk tolerance (as provided by a client) to make suitable and appropriate investment recommendations or decisions on behalf of a client.
- Act in your best interest by providing investment advice that is based on your stated overall financial situation and investment objectives.
- Obtain prices for trades so that your total cost or proceeds in each transaction are the most favorable under the circumstance.

What is your financial professional's role when handling an investment advisory account?

Your financial professional helps you evaluate your financial situation and investment objectives to identify the type of advisory program that may be appropriate for you. Then your financial professional discusses the type of advisory program that may fit you based on your investment objectives and any reasonable restrictions you may impose. Your financial professional serves as your key relationship contact for all of your advisory accounts.
When handling an investment advisory account, your financial professional acts as a fiduciary to you and in providing services depending on the advisory program that you choose. For example, in our Contour platform, your financial professional has the discretionary authority to execute investment decisions on your behalf.

Recommendations

We offer access to a wide array of securities and other investment products that our financial professionals may recommend to meet the needs of our clients. Within each class of products, there are many specific products that a financial professional may recommend to you. For instance, there are many mutual funds options, some of which may appear to have similar investing strategies, performance, and portfolios. We will make recommendations to you on the basis of (a) the information you provide and (b) our assessment of a product's or service's potential risks, rewards, and costs. If

[3] A recommendation meeting the ERISA "best interest" standard is a recommendation that reflects the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on your investment objectives, risk tolerance, financial circumstances, and needs, without regard to the financial or other interests of us or your financial professional, or any affiliate, related entity, or other party.

you would like to know why a particular recommendation was made, please ask your financial professional. When your financial professional recommends a particular product to you, he or she is recommending that specific product because he or she has determined that the recommendation is in your best interest at the time of the recommendation, based on the information you have provided and your financial professional's assessment of the product's or service's potential risks, rewards, and costs. It is your responsibility to update and keep the information that you provide to us and your financial professional accurate. Additionally, if you choose not to follow a recommendation made by us or your financial professional, you are fully responsible for the potential risks and losses that can result from your decision, including any result that is not in accordance with the best interest standard.

Limitations on products and services offered by your financial professional

Although most of our financial professionals offer both brokerage and investment advisory services, some only offer brokerage services and others only offer investment advisory services. When you are discussing services with one of our financial professionals, you should ask in what capacity the financial professional is acting or will be acting - as a broker-dealer registered representative or an investment adviser representative (IAR) - when providing services to you. While we offer a wide range of products and services, your financial professional can only offer you those products and services that he or she is qualified and licensed to offer.

Capacity

If you want to engage us as your investment adviser, your financial professional must be licensed as an investment adviser representative with us. If you want to engage us as your broker-dealer, your financial professional must be a licensed registered representative.

When we and your financial professional act as an investment adviser, we are fiduciaries and must place your interests ahead of our own when making decisions for you. We and your financial professional will earn a fee, based on the amount of your assets that we manage, billed quarterly or monthly, in advance or in arrears based on the program selected.

When we and your financial professional act as a broker-dealer, we must act in your best interest and will be paid based on the frequency and amount of the trading activity in your account.

Your financial professional cannot act in a capacity for which he or she is not qualified. Therefore, if you wish to receive investment advisory services and your financial professional is not an investment adviser representative, you should ask to meet with another financial professional who is an investment adviser representative. Similarly, if you wish to receive broker-dealer services and your financial professional is not a registered representative, then you should ask to speak with a financial professional who is a registered representative.

Licensing

To view the licenses your financial professional holds, go to brokercheck.finra.org and enter your financial professional's name and firm name and read the Examinations and Licenses listed for your financial professional. The most common examinations and licenses are:

Securities Industry Essentials (SIE) Exam - The SIE examination is a prerequisite to the other exams listed below. The SIE alone does not permit a financial professional to engage in securities activities of any kind.

Series 6 – Investment Company and Variable Contracts Products Representative Exam - If your financial professional holds this license, your financial professional can offer only investment company and variable contracts products, but not individual securities.

Series 7 – General Securities Representative Exam - If your financial professional holds this license, your financial professional can offer you all types of securities products including investment company and variable contracts products, but not commodities and futures.

Series 63 – Uniform Securities Agent State Law Exam - If your financial professional holds this license, your financial professional has passed the qualification exam that tests their knowledge of state law applicable to registered representatives.

Series 65 – Uniform Investment Adviser Law Exam - If your financial professional holds this license, your financial professional has passed the qualification exam that tests their knowledge of state law applicable to investment adviser representatives.

Series 66 – Uniform Combined State Law Exam - If your financial professional holds this license, your financial professional is treated as having passed both the Series 63 and 65 qualification examinations.

Investment philosophy and strategy limitations

We do not have an enterprise wide investment approach or investment strategy. Your financial professional's investment approach or investment philosophy may focus on a specific concept, class of assets, or strategy. One financial professional's investment strategy and approach may differ from another's.

Your financial professional may offer a wide array of securities or other investment products or may use or recommend only a limited type or category of securities (e.g., securities or debt instruments or mutual funds and ETFs) and his or her investment approach may favor "buy and hold" or active management. You should discuss with your financial professional his or her investment approach and strategy.

Conflicts of Interest

Like all financial services providers, we and our financial professionals have conflicts of interest because we compensated directly by you and indirectly from the investments you make. When you pay us in connection with a securities transaction, we typically get paid an upfront commission or sales load at the time of the transaction and in some cases a deferred sales charge. If we are paid an upfront commission, it means that we are paid more the more transactions you make and/or the larger the transactions. When we are paid indirectly from the investments you make, we receive ongoing compensation, typically called a "trail" payment, for as long as you hold an investment. In addition, we receive compensation from the sponsors of some of the investment products that we offer. The amount we receive varies depending on the particular type of investment purchased.

A financial professional has a conflict of interest if he or she is paid for referring a person to a third party for a security, a securities account, or an investment strategy involving securities. A conflict of interest exists if your financial professional or a member of your financial professional's household has a personal investment interest in the issuer of the security that your financial professional has recommended to you or a member of your financial professional's household is (a) employed by the issuer of the security that your financial professional has recommended to you, (b) a member of the board of the issuer of the security that your financial professional has recommended to you, or (c) a party to or beneficiary of an agreement or contract with the issuer of the security that your financial professional has recommended to you.

How we are compensated for brokerage and investment advisory accounts

We earn our revenue primarily from our clients. We also earn revenue from product providers and money managers ("third parties") who assist us in providing the investments and services that we offer you.

Depending on the types of relationship you establish and the ways you choose to do business with us, we may be compensated for the services we provide through transaction commissions and markups, asset-based fees, and other fees and charges.

When we do business with you, our financial professionals benefit financially from fees, commissions, and other payments we receive from you and our investment providers. These financial incentives create a conflict between our interest, your financial professional's interest, and your own.

We encourage you to:

- Read all disclosure information and understand the fees, commissions, and costs for our services before you invest.
- Ask your financial professional questions to help you understand the commissions and fees you may pay.
- Review your account statements and trade confirmations for the fees, commissions. and costs that impact your account(s) with us.

Brokerage Accounts. In a brokerage account, you pay us compensation that we share with your financial professional through transaction-based pricing in which you pay commissions, sales charges, markups/markdowns, or other fees incurred with each transaction typically based on the value of the transaction. For example, you typically pay a commission for each equity (stock or exchange-trade fund (ETF)) transaction, a mark-up/mark-down for bond transactions, and a sales charge for mutual fund transactions. As a result, in a brokerage account your total costs typically increase or decrease as a result of the frequency of transactions in the account, the type of securities you purchase, and the size of your purchases. You can conduct transaction-based business in virtually all financial products and services within a Pershing brokerage account or in retirement, education savings, or other accounts we offer.

The compensation we receive differs from product to product, and we can receive different compensation from products in the same product class or in different product classes. This creates a conflict of interest for us because we have an incentive to sell you a higher commission or fee product rather than a lower commissions product. We mitigate these conflicts by disclosing them to you, and by establishing procedures and risk-based supervision to review product recommendations. Information regarding the specific fees you pay us for a specific transaction is found on the trade confirmation you will receive for each transaction. Additional information about the fees that an issuer pays us and your financial professional is found in an issuer's prospectus or offering materials that are provided to you.

In addition, you pay transaction-based fees on the purchase or sale of certain equity and fixed-income products. Certain investments (such as mutual funds and variable annuities) have ongoing expenses such as distribution and/or service fees (12b-1 fees) or trail and renewal commissions that reduce your investment return. We receive a portion of these ongoing payments. The more assets you invest in the product, the more we will be paid in these fees. Therefore, we have an incentive to encourage you to purchase a product offered by a sponsor who shares a portion of their compensation with us or increase the size of your investment. The amount of trails received varies by product. This creates an incentive to recommend a product that pays a higher trail rather than a lower trail. We also have an incentive to recommend a product that pays trails (regardless of amount) rather than products that do not pay trails. For more information about trail compensation received with respect to a particular investment, please refer to the prospectus or offering document for the investment.

CFS/SFP, NEXT, and Cadaret Grant are introducing broker and carry all brokerage accounts and clear all securities transactions on a fully disclosed basis through Pershing, LLC, our clearing firm. If you hold an account through us with Pershing, we and Pershing charge miscellaneous fees directly to your account such as fees for transaction processing, account transfers, and retirement account maintenance which are standard and customary. For direct fees that apply per transaction, we and Pershing receive more fees the more transactions that result from a financial professional's recommendations. These direct fees and charges are not shared with our financial professionals, and are not charged if you hold an account directly with a product sponsor rather than with Pershing.

CFS/SPF also have a clearing arrangement with Quasar Distributors, LLC for the provision of fundVISION, a mutual fund platform described more fully below.

For more information regarding the fees, commissions, and other payments we and your financial professional earn, see the applicable sections within this document.

Investment Advisory Accounts. In an investment advisory account, you typically do not pay fees for each transaction, but instead compensate us and your financial professional through an annual asset-based fee, payable monthly or quarterly in advance or arears (depending on your agreement) at one-twelfth or one-fourth the annual rate, based on the total value of the assets in your investment advisory account at the end of the previous quarter. The fee typically covers both the advisory and the brokerage services we provide that are described in your investment advisory agreement. In certain advisory programs that offer professional third-party money management, the fee also includes the professional money manager's fee. Typically, the mutual fund share classes that are offered to clients in our advisory programs do not charge a front-end sales charge. In an investment advisory account your total costs typically do not increase or decrease as a result of the frequency of transactions in the account.

Both Brokerage and Advisory Accounts. In both brokerage and investment advisory accounts that include mutual funds or exchange traded funds (ETFs), you incur additional expenses including investment management fees of the fund as well as operating expenses that are reflected in a fund's share price. These expenses are not included in our commissions or fees. Other fees and expenses in addition to those outlined above, or different fee arrangements, may apply in both brokerage and investment advisory accounts as described in our agreement with you.

When we act as both your broker-dealer and investment adviser. We may act as investment adviser and as broker-dealer to you at the same time, and the fact that we do so does not mean that our brokerage relationship is an advisory one. For example, you may maintain multiple accounts (some of which are brokerage accounts and some of which are investment advisory accounts) with us at the same time. Also, although we may consider your brokerage account assets in preparing guidelines or determining suitability for your investment advisory services, your brokerage relationship continues on your brokerage assets.

Other compensation

We earn compensation in other, more indirect ways with regard to certain of the products you purchase or services you receive. For example, we earn compensation in connection with the provision of placement agent services and money-management activities.

How we compensate your financial professional

The financial professionals associated with NEXT, Cadaret Grant and in some cases CFS/SPF are independent contractors.

The compensation for financial professional associated with us is based primarily on the fees and commission that you pay us. In general, your financial professional receives as a payout, a portion or percentage of our fees and commissions. Different products have different payout rates or percentages and, accordingly, our financial professionals get paid more or less depending on the product or service you choose. The more overall gross revenue a financial professional generates, the higher his or her percentage payout rate.

We compensate financial professionals pursuant to an independent contractor agreement, and not as employees (although we have a dedicated team of employee financial professionals who service accounts in the absence of an independent contractor financial professional). This compensation includes a portion of the commissions and advisory fees that we earn. Such compensation includes other types of compensation, such as bonuses, awards, or other things of value that we may offer. In particular, we pay our financial professionals in different ways, for example:

- payments based on production
- reimbursement or credits of fees that financial professionals pay to a firm for items such as administrative services or technology fees
- free or reduced-cost marketing materials
- payments in connection with the transition of association from another broker-dealer or investment advisor firm to an Atria broker dealer
- payments in the form of repayable or forgivable loans

- advances of commissions or advisory fees
- attendance at firm conferences and events.

We also charge financial professionals various fees under their independent contractor agreements which may include administrative fees, custody, and clearing services to accounts, technology, and licensing. In certain cases, we pay a financial professional this compensation or charge a financial professional these fees, based on a financial professionals overall business production and/or on the amount of assets serviced in our brokerage or advisory relationships. When compensation or fees charged is based on the level of production or advisory assets of a financial professional, the financial professional has a financial incentive to meet those production or asset levels.

NEXT pays its financial professionals based on a grid structure where the type of product you purchase affects his or her payout percentage. The grid differentiates payout by product type—for example, equities, bonds, mutual funds, and variable annuities. The maximum payout percentage for mutual funds and variable annuities is typically 5% higher than the payout for traded products in a brokerage account (e.g., stocks, options, bonds, ETFs, UITs, structured products, and market-linked CDs). The payout for fixed indexed annuities is typically 5% higher than mutual funds and the payout for alternative investments is typically 10% less than for traded products. This compensation structure creates an incentive for a financial professional to prefer one type of product over another.

At CFS/SPF, some of the financial professionals are employed by the financial institution (bank or credit union) and others are employed by CFS/SPF; a few are independent contractors. CFS/SPF shares compensation with the financial institution, including a portion of the commissions and fees a financial professional generates. Where a financial professional is employed by a financial institution, the financial professional is compensated (e.g. in the form of salary, bonus, compensation based on commissions, etc.) by the financial institution in accordance with the terms agreed upon between the financial institution and the financial professional and approved by CFS/SPF (which vary depending on each financial institution and employee). Where a financial professional is not an employee of a financial institution, the financial professional is compensated in accordance with the terms agreed upon between CFS/SPF and the financial institution, which vary depending on roles and responsibilities of the financial professionals. Whether employed by the financial institution or CFS/SPF, the amount of compensation paid to the financial profession is typically between 25% and 45% with the financial institution receiving between 0% to 100% (depending on which entity is paying the financial professional and the type and volume of investment product sales) of the commissions and ongoing trail payments that CFS/SPF receives in connection with the investments. In either case, compensation can vary depending on the investment product or service recommended. The financial institution can limit the types of products and services that may be sold by a financial professional.

Transition Assistance – NEXT and Cadaret Grant provide various benefits and/or payments to financial professionals who are newly associated with them to assist them with the costs (including foregone revenues during account transition) associated with transitioning his or her business to NEXT or Cadaret Grant (referred to as Transition Assistance). The proceeds of Transition Assistance payments are intended to be used for a variety of purposes, including providing working capital to assist in funding a financial professional's business, satisfying any outstanding debt owed to a financial professional's prior firm, offsetting account transfer fees (ACATs) as a result of the financial professional's clients transitioning to our custodial platform, technology set-up fees, marketing and mailing costs, stationary, and license transfer fees, moving expenses, office space expenses, staffing support, and termination fees associated with moving accounts.

The amount of Transition Assistance is often significant in relation to the overall revenue earned or compensation received by a financial professional at his or her prior firm. Such payments are generally based on the size of a financial professional's book of business, for example, a percentage of the revenue earned or assets serviced by the financial professional at the prior firm. These payments are generally in the form of payments or loans to a financial

professional with favorable interest rate terms as compared to other lenders, which we pay or forgive based on years of service with us (e.g., if a financial professional remains with us for 5 years) and/or the scope of business engaged in with the firm. We also pay Transition Assistance to financial professionals in connection with the transition of certain advisory business to us from his or her prior firm that is not offered on our platform, including certain services of third-party money managers or investment advisors that are not offered through our platform. These payments are tied to the amount of a client's assets that are transitioned from a platform at the prior firm to our advisory programs.

The receipt of Transition Assistance creates a conflict of interest in that a financial professional has a financial incentive to recommend that you open and maintain an account with your financial professional and us for advisory, brokerage, or custody services, and to recommend switching investment products or services where your current investment options are not available through our platform, in order to receive the Transition Assistance, and in cases of businesses we do not support, to further recommend that your current holdings be reinvested in a program we do support. We and our financial professionals attempt to mitigate these conflicts of interest by evaluating and recommending that you use our services based on the benefits that such services provide to you, rather than the Transition Assistance earned by any particular financial professional.

If a financial institution recently became associated with CFS/SPF after working with another financial services firm, the financial institution may receive compensation for transition assistance from CFS/SPF in connection with the transition. In many cases, this transition assistance includes payments from CFS/SPF that are intended to assist a financial institution and/or their financial professional(s) with costs associated with the transition; however, CFS/SPF does not verify that all payments made are actually used for transition costs. In certain situations involving the transfer of customer accounts from a third party platform to a CFS/SPF platform, a financial institution is eligible to receive a flat-dollar amount to assist with offsetting the estimated time and expense incurred to complete the account transfer process, as well as, replacing marketing and sales material with the new disclosure information.

The amount of recruitment compensation is often significant in relation to the overall revenue earned or compensation received by a financial institution. Such payments are generally based on the size of the financial institution's business established at the prior firm, for example, a percentage of the revenue earned, or assets serviced at the prior firm, or on the size of the assets that transition to CFS/SPF. The receipt of this compensation creates a conflict of interest in that the financial institution has a financial incentive to recommend that a customer open and maintain an account with CFS/SPF for advisory, brokerage, and/or insurance services, and to recommend switching investment products or services where a customer's current investment options are not available through CFS/SPF, in order to receive the this type of benefit or payment.

Internal Incentive Programs – We offer internal incentive programs that enable financial professionals to earn additional compensation. If your financial professional's sales increase and cross the threshold into a tier with a higher commission payout level during a calendar year, your financial professional is entitled to a higher payout percentage. Depending on the incentive program, your financial professional will be paid for the entire year at the higher commission payout level, as if all sales in that calendar year had been at that higher commission payout level. This creates a conflict of interest for your financial professional because he or she has an incentive to sell you more products and services in order to move to a higher payout tier and receive higher commission payments for the entire year.

Training and Marketing Incentives – Third-party providers such as mutual fund, annuity, and UIT wholesalers; retirement plan distributors; investment managers; and insurance distributors may reimburse and/or pay certain expenses on behalf of financial professionals and the firm, including expenses related to training, marketing, and educational efforts. Training of our financial professionals can occur at branch offices, seminars, meetings, or other events. The training focuses on, among other things, the third-party provider's products, suitability, product literature, and product

support. This could lead our financial professionals to focus on these third-party providers' products versus other products that are not represented at these meetings, seminars, and conferences. This creates a potential conflict of interest for us and our financial professionals to the extent that this causes them to prefer those product providers that have greater access, marketing opportunities, and educational opportunities.

Noncash Incentives – We and our financial professionals receive non-cash compensation from investment or product sponsors that is not in connection with any particular customer or investment. Compensation includes such items as gifts valued at less than $100 annually consistent with industry regulations, an occasional dinner or ticket to a sporting event, or reimbursement for expenses in connection with educational meetings, customer workshops or events, or marketing initiatives, including services for identifying prospective customers. Investment and product sponsors also pay or reimburse us and our financial professionals, for the costs associated with education or training events that may be attended by our employees and financial professionals and for our sponsored conferences and events. Additionally, investment and product sponsors may provide us and our financial professionals with access to certain research tools or software that is developed or subscribed to by third parties. This creates a potential conflict of interest to the extent that it causes us or our financial professionals to prefer those investment or product sponsors that provide these noncash incentives.

Awards and Recognition – We strive to recognize the success of our financial professionals with awards and recognition, which may be interpreted as a type of incentive.

- **Top Advisors, Producers, or Pacesetters Conferences –**Each firm holds an annual conference that recognizes and offers additional training to financial professionals with prior year's production or commissions within a specified range that places them among the leaders of each firm. Top producers receive complimentary attendance (waiver of registration fees), a subsidy to cover all or a portion of their airfare, and complimentary lodging and meals.

- **National Conferences –** Each firm holds an annual national conference for all registered representatives that includes an awards dinner/reception to recognize financial professionals' career success. Plaques and mementos recognize the completion of reaching a special accomplishment or level of production. Top producers receive complimentary attendance (waiver of registration fees), a subsidy to cover all or a portion of their airfare, and complimentary lodging and meals.

Investing and Trading

The Common Risks of Investing

Exposure to certain risks is fundamental to investing, and the prices of securities may change based on a number of often unforeseeable factors. We cannot guarantee the performance of any investment recommended by us or our financial professionals. Past investment performance does not predict or assure future investment returns.

Some of the risks that affect investments include inflation, interest rate changes, and risks related to the underlying company or issuer, as well as economic changes, general market sentiment, and the political climate. Conservative investments that are designed to preserve principal tend to provide lower returns over time, while investments that have the greatest potential for higher returns tend to be the most risky and volatile. Nevertheless, all investments carry risk and even relatively conservative and "safe" investments may expose your money to interest rate risk, inflation risk, risks related to the particular structure and features of an investment, as well as remote but potentially significant liquidity, credit, or other risks that could lead to losses more commensurate with a traditionally higher risk investment.

Some investors have more tolerance for risk than others. When you consider any investment, be aware of the risks involved; only you can determine your tolerance for risk. (See Risk and Return below)

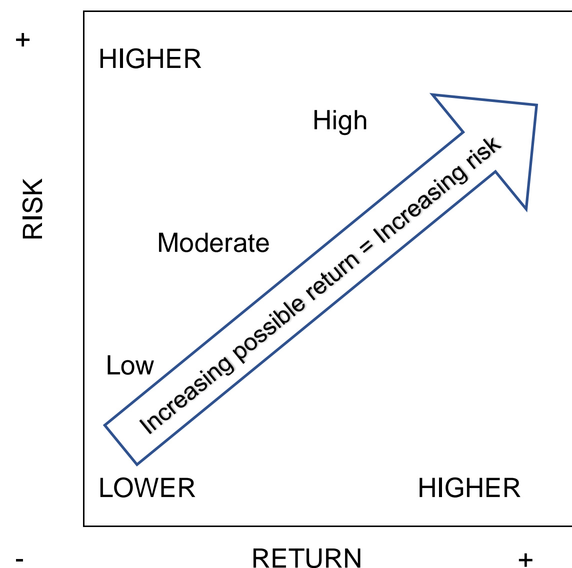
Some investments, such as mutual funds, provide a prospectus containing detailed information, including details on items such as fees, charges, policies, expenses, and risk factors. Always read a prospectus carefully before you invest. Before you make an investment decision, be sure you understand the costs, fees, risks, and limitations, as well as the advantages of each investment and how it fits with your financial goals. In addition to offering investment recommendations, at your request, your financial professional can execute transactions for securities you choose. Because these transactions are not based upon our specific recommendations, they may be recorded as "unsolicited." In some instances, you may have to sign an acknowledgment of this.

Your financial professional cannot exercise investment discretion— that is, independently make investment decisions for your account— without your prior written authorization and your Atria broker-dealer's prior approval. With the exception of some of our advisory programs, your financial professional may be authorized to exercise investment discretion only in very limited circumstances.

Your Atria broker dealer and our financial professionals do not offer tax or legal advice. You should consult your personal tax and legal advisors before making any tax- or legal-related decisions.

Risk and Return

The chart below illustrates the trade-off between risk and return involved in all investments.



All investments carry risk and even relatively conservative and "safe" investments may expose your money to interest rate risk, inflation risk, as well as remote but potentially significant liquidity, credit, or other risks in temporary or extended market dislocations that could lead to losses more commensurate with a traditionally higher risk investment.

Risk tolerance

High	Investors who are willing to accept substantial risk including high volatility for a portion of their investments, understanding that they could lose most or all of funds invested.
Moderate	Investors who are willing to accept some risk and volatility to seek higher returns and understand they could lose a portion of the funds invested.
Low risk	Investors who want to preserve their principal and are willing to accept lower returns in exchange for safety.

Investment objectives

Conservation of capital	Focus is on preserving the principal value of a portfolio's assets by avoiding higher risk investments.
Income	Focus is on generating income over time.
Growth and income	Focus is on generating capital appreciation and current income.
Growth	Focus is on generating capital appreciation.
Speculation	Focus is on generating high returns with the understanding that most or all the funds invested could be lost.

All investments carry some risk and it is always possible to lose money when you invest in any securities product. Below are some of the risk considerations in making investments.

Market risk

Your investment's principal value may fluctuate from day-to-day depending on a variety of factors. Global events, events in the United States, or just a change in market psychology can affect how your investments perform. Fluctuations in investment values may be short-term and not indicative of long-term performance.

Company risk

The value of any company's stock is affected by current expectations for how that company or other similar companies may perform, independent of market risk.

Interest rate risk

Bonds fluctuate depending on movements in interest rates. Generally, short-term bonds are less impacted by interest rate movements than long-term investments. Bond values tend to move inversely to interest rates (i.e., when interest rates go up, bond values go down).

Credit risk

A risk common to bonds, the lower the creditworthiness of your investment, the higher its yield and risk in comparison to investments with a higher credit rating.

Liquidity risk

Risk involved when there is not an active market (such as a stock exchange) for a security or it cannot be readily converted to cash.

Currency risk

Certain investments in foreign securities, or in securities that invest in foreign investments, can be subject to fluctuations due to the value of the dollar compared to the currency of other nations.

Securities risk

Some securities are prone to greater risk factors. Typically, low-priced securities, newly issued securities, low-rated or unrated fixed income securities, and securities for which there is no ready market and cannot be readily sold (referred to as illiquid, such as limited partnerships or non-traded real estate investment trusts (REITs) or business development companies (BDCs)) are considered more speculative in nature than the securities of more mature, seasoned companies.

Margin risk

Occasionally, you may use "margin" to purchase securities. This means that you open a margin account and borrow the funds from Pershing to pay for all or part of an investment. Margin accounts are not appropriate for all investors. When using margin, you agree to allow Pershing to use the securities in your account as collateral

for repayment of the loan amount and agree to a specific interest rate for the loan. If the securities decline in value, so does the collateral supporting the loan, and you must either add additional funds to the account or Pershing may have to sell some of the securities in the account to maintain the equity in the account that is required by law or by Pershing's in-house requirements. Pershing can choose which securities in your account to sell. You are responsible for any shortfall in the account after such a sale. We or Pershing will usually contact you before selling securities in the account to meet margin requirements, but are not required to do so.

Therefore, the use of margin in an account can increase the impact of a decline in the value of your securities. Before entering into any margin agreement, you should thoroughly discuss all of the risks and requirements with your financial professional.

Risk tolerance, diversification, and investment time horizon

Every investment you make can be affected by one or more of the risks noted above. There is no escaping the fact that you always face a degree of risk when you invest. For that reason, it's important to consider your risk tolerance, investment timelines, and goals before making an investment decision.

Diversification is a basic principle of investing that helps balance potential returns against risk. Rather than putting all of your assets in one type of investment, you can diversify among several different types of investments with different characteristics.

Another way to reduce risk is to take a long-term approach to investing. This gives you the opportunity to ride out short-term market fluctuations and realize market returns over a period of time. Your financial professional can help you determine your risk tolerance, timeline, and goals and work with you to develop a personal investment plan that makes the most sense for you.

Our Relationship with Pershing, LLC.

Each Atria broker-dealer acts as an introducing broker-dealer and holds or carries client accounts, executes and settles its securities transactions, and provides for the extension of credit on margin on a fully disclosed basis, through Pershing, LLC, a wholly owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), one of the largest providers of clearing and custodial services in the United States. Since 1939, Pershing has provided brokerage execution, trade clearance, securities data processing, and investment access to registered broker/dealers. Pershing is a member of the New York Stock Exchange (NYSE), FINRA, and Securities Investor Protection Corporation (SIPC).

Pershing may fulfill the following responsibilities on behalf of your account:

- Create computer-based account records,
- Process orders for the purchase, sale, or transfer of securities,
- Receive and deliver cash and securities,
- Hold securities and cash in custody,
- Collect and disburse dividends, capital gains, and interest,
- Process reorganization and voting instructions with respect to securities held in custody,
- Prepare and transmit confirmations of trades to you (or provide facilities to us to provide these functions), with the exception of the following transactions, which will alternatively appear on account statements:
  - Systematic purchase and redemption transactions of mutual funds or unit investment trusts,
  - Purchase and redemption transactions of money market funds processed through Pershing's Cash Management platform, and
  - Dividend and other distribution reinvestment transactions of mutual funds, equities, unit investment trusts, and money market funds,
- Prepare and transmit periodic account statements summarizing transactions,
- Provide us with written reports of all transactions processed for your account, and

- Assist you and us with any discrepancies or errors that may occur in the processing of transactions.

If we open a margin account for you, Pershing may:

- Loan you money for the purpose of purchasing or holding securities (subject to the terms of Pershing's written margin agreement, margin policies, and applicable margin regulations),
- Calculate the amount of maintenance margin required and advise you of those requirements (usually through us), and
- Calculate any interest charged on your debit balance.

In connection with all of the functions that Pershing performs, Pershing maintains the books and records required by law and business practice.

In providing services to us Pershing may use and rely upon the services of clearing agencies, automatic data processing vendors, proxy processing vendors, transfer agents, securities pricing services, and other similar organizations.

Revenue sharing with Pershing

Pershing earns money by investing your cash awaiting reinvestment or by lending it to other clients. Pershing shares with us a portion of the interest earned on money credit balances held by Pershing. Additionally, a portion of the interest paid to Pershing (for example, cash due interest) may be shared with us.

Pershing shares with us a portion of the commissions and fees you pay to Pershing. Also, Pershing may provide consulting and other assistance to us and our financial professionals. We may also participate in other revenue Pershing is paid on the assets held in your account.

Pershing receives revenue from money market funds, and may share that revenue with us for money market funds made available to you for cash sweeps in your brokerage account. We may share some of the revenue received from Pershing with your financial professional.

Additionally, Pershing pays us a share of the service fees it receives from mutual fund companies that participate in Pershing's FUNDVEST® no-transaction-fee program. Under the FUNDVEST® program many no-load mutual funds may be purchased subject to program requirements and other restrictions.

How your trades are executed

All transactions are cleared through Pershing, which acts as either agent or principal, or in some instances as both agent and principal. Your trade confirmation tells you in what capacity Pershing acted:

- As an agent, Pershing works to find you the best execution for your order. If you elect to have an investment advisory account, usually all trades are executed as agent.

- As a principal, Pershing buys securities from you and sells securities to you. In such cases, Pershing sells the securities from its own inventory or buys securities based on the current market price.

Margin

We offer customers the ability to purchase securities on credit, also known as margin purchases through Pershing brokerage accounts. When a customer purchases security on margin, Pershing extends a line of credit to the customer and charges interest on the margin balance. We have a financial incentive to encourage margin borrowing because we earn compensation in the form of transaction charges and other fees on investments made with borrowed amounts. That financial incentive creates a conflict of interest insofar as we benefit from your decision to borrow and incur the various fees described above. If contemplating use of margin, please consult the Pershing Margin Agreement and related disclosures for additional details. None of the fees derived from margin accounts are shared with your financial professional.

Cash Sweep

When Pershing is the custodian of your account, Pershing automatically moves (sweeps) the cash in your account into money market funds

and/or FDIC insured bank deposit accounts. You and your financial professional select the money market fund or bank deposit account. Pershing retains some of the interest paid on the bank deposit account, or shareholder servicing fees paid on the money market fund, and pays a portion of that to us. These payments are called "distribution assistance" and they vary based on the bank deposit account or money market fund you select. We do not determine the interest rates paid on bank deposit accounts or shareholder servicing fees paid on money market funds, or the amount or percentage of distribution payments that it will receive. When interest rates are low, or in the event of a regulatory change, Pershing reserves the right to reduce or discontinue its distribution assistance payments to us.

Our receipt of distribution assistance payments creates a conflict of interest because we have an incentive to recommend or make available money market funds and FDIC insured bank deposit accounts with higher distribution assistance payments over those with lower payments. We mitigate this conflict through disclosure in this brochure. We do not share distribution assistance payments with our financial professionals.

Buying and selling securities

You should give your financial professional complete instructions for every transaction. Whenever you place an order, make sure you have the correct:

- Account number
- Account type
- Transaction type (buy or sell)
- Quantity
- Security description
- Price (if the order is price-specific)
- Dividend reinvestment instructions

How your brokerage trades are settled

Typically, the settlement date is when you must pay for the security you purchased or deliver the security you sold in negotiable form.

- United States securities exchange rules require that most securities transactions settle on or before the second business day following the trade date. There are a few exceptions to this requirement.
- For certain classes of fixed income securities (including Treasury securities) and exchange-traded options, settlement is required on the following business day.
- Cash-basis transactions settle on the same business day as the trade.

Trade confirmations

A confirmation is a written record of your transaction. It provides important information about your security transactions and should be maintained for your records. Your Atria broker dealer sends confirmations for every securities transaction the firm effects, except where regulatory exceptions apply.

Product Costs and Related Conflicts

Our financial professionals provide recommendations with respect to a broad range of investment products, including stocks, bonds, ETFs, mutual funds, annuities, and alternative investments. Each type of investment product carries unique risks, and many investment products charge fees and costs that are separate from and in addition to the commissions and fees that we and our financial professionals receive. You can learn more about these risks and the fees and costs charged by an investment product by reviewing the investment product's prospectus, offering memorandum, or other disclosure documents. Below is the typical range of expenses of the various investment products we sell. In most cases, these expenses are in addition to the commissions and fees that we receive for our brokerage services.

- *ETFs.* The expense ratios range from 0.05% to 1.0%, with an average expense ratio of around 0.44%.

- Mutual Funds. Expense ratios can vary based on the type of mutual fund purchased. The average expense ratio for actively managed funds is 0.5% to 1.50%, for passive index mutual funds the average is 0.2%.

- *Annuities.* The typical range of annual expenses associated with annuities is

0.60% to 5.00% dependent upon the combination of options selected by the investor including the type of annuity (variable annuities have a mortality and expense fee whereas fixed index annuities do not), optional riders elected (living and/or death benefits), and investment options where applicable (subaccounts or models for variable annuities).

- *Alternative investments.* The typical range of annual expenses, excluding any commissions or dealer manager fees, is 0.80% to 6.00%, which may include management fees, acquisition fees, disposition fees, performance participation fees, organization and offering fees, acquired fund fees and expenses, or interest payments on borrowed funds.

- *UITs.* Typical annual operating expenses for UITs range from 0.20% to 4.00%. Equity UITs usually comprise the low end of the range while UITs whose trust consist of a basket of closed-end funds typically comprise the high end of the range.

Qualified Retirement Plan Distributions (Rollovers)

After participating in your employer's qualified retirement plan, you have earned a vested interest in all or part of your benefits, including the contributions you've made, your employer's contributions, and any growth in value of the account. Now you are changing jobs or retiring and are anticipating a distribution from the plan. What should you do? Your assets in the plan may represent a substantial source of your future retirement income. We can help you explore the options available to you, including how exercising each option could affect the taxation of your retirement assets.

Typically, a plan participant leaving an employer has four options with respect to their vested qualified retirement plan benefits that constitute an "eligible rollover distribution" (and may engage in a combination of these options depending on their employment status, age, and the availability of the particular option):

1. Cash out the benefits and take a lump sum distribution from the current plan subject to mandatory 20% federal income tax withholding as well as income taxes and the 10% early withdrawal penalty tax, or continue tax-deferred growth potential by doing one of the following:

2. Leave the assets in the former employer's plan (if permitted),

3. Roll over the retirement assets into a new employer's qualified plan, if one is available and rollovers are permitted, or

4. Roll over the retirement assets into a traditional IRA.

A plan participant receiving an eligible rollover distribution from a qualified retirement plan also has the option of rolling his or her retirement assets to a Roth IRA. However, the taxable portion of such rollover is includable in the participant's income for the year of the qualified plan distribution. The tax rules that apply to a Roth IRA (e.g., required minimum distribution rules, taxation of distributions, etc.) differ from the rules that apply to a traditional IRA and are beyond the scope of this booklet.

You should consider the various factors listed below in your decision-making process. Other considerations may apply to your specific situation, and the importance of any particular factor will depend upon your needs and circumstances.

Factors in the decision-making process

	Reinvest eligible rollover distribution into a taxable account	Leave in old employer's plan	Roll over to new employer's plan	Roll over to an IRA
What are the investment options?	Generally unlimited	Limited to old plan options	Limited to new plan options	Limited to IRA options
Are there fees and expenses?	Yes, depends on taxable account type/investments	Yes, depends on plan/ investments	Yes, depends on plan/ investments	Yes, depends on IRA / investments, likely to be higher[2]
Does tax deferral continue?	No	Yes	Yes	Yes
Do taxes apply?	Eligible rollover distributions are generally taxed as ordinary income, (subject to certain exceptions) and are subject to mandatory 20% federal income tax withholding and may be subject to state income tax withholding as well[3]	Not subject to taxation until distributed[3]	Not subject to taxation until distributed[3]	Not subject to taxation until distributed[3]
When are penalty tax free withdrawals available?	From qualified plans; after separation from service in or after the year you reach age 55 and for certain life event distribution reasons. Tax penalties do not apply in taxable accounts[3]	After separation from service in or after the year you reach age 55 and for certain life event distribution reasons[3]	(a) After separation from service in or after the year you reach age 55, (b) at age 59½ and (c) for certain life event distribution reasons (if distribution is otherwise permitted by the terms of the plan)	At age 59½ and for certain life event distribution reasons
Is employer stock net unrealized appreciation "NUA" tax treatment available?	A distribution of "employer securities" may be eligible for favorable tax treatment if certain conditions apply. Contact your legal or tax advisor for more information[3]	A distribution of "employer securities" may be eligible for favorable tax treatment if certain conditions apply. Contact your legal or tax advisor for more information[3]	No (with respect to any "employer securities" rolled over from your former employer's plan)[3]	No[3]
Are there special services available? (such as investment advice, full brokerage service, tools for financial planning or retirement income, web or smart device app access, 800 number access)	Yes, depends on taxable account type and investments	Yes, depends on plan and investments	Yes, depends on plan and investments	Yes, depends on IRA and investments

Is there creditor protection in bankruptcy and from legal judgments?	Governed by federal and/or state law; contact your legal advisor[4]	Generally governed by federal law; contact your legal advisor[4]	Generally governed by federal law; contact your legal advisor[4]	Governed by federal and/or state law; contact your legal advisor[4]
Are required minimum distributions "RMDs" mandatory?	No	Yes[5]	Yes[5]	Yes, for traditional IRAs at age 70½. Does not apply to Roth IRAs during the owner's lifetime
Investment allocations	New allocation	Stays the same	New allocation	New allocation
Is additional paperwork required?	Yes	No	Yes	Yes
Are plan loans available?	Not Applicable	Generally not available after separation from service	Depends on the terms of the plan	No

1 Generally speaking there are usually more investment options in a self-directed IRA.

2 Establishing and maintaining an IRA (either at an Atria broker dealer or elsewhere) typically entails a higher level of fees/expenses than leaving your assets in, or rolling them over to, an employer-sponsored qualified retirement plan. Among other things, such plans may offer lower cost institutional funds and in some cases may pay for some or all of the plan's administrative expenses. Please contact the Plan Administrator for more information about the fees and expenses that apply under an employer-sponsored qualified retirement plan, and your financial professional (or the representative of another IRA provider) about the fees and expenses that apply under a particular IRA.

3 The rules that apply to the taxation of distributions from employer-sponsored qualified retirement plans and IRAs are complicated, subject to variation depending on age, the timing and form of the distribution, the existence of after-tax contributions, and other factors. We strongly recommend that you consult your tax and legal advisors before taking a distribution from any tax-qualified retirement account.

4 Generally speaking, employer-sponsored qualified retirement plan assets are protected from creditors under federal law. IRA assets can be protected in bankruptcy under federal law (subject to certain exceptions, including a cap), and some state laws may also afford creditor protection to IRA assets. The protection of assets held in a nonqualified account depends upon the application of federal and/or state law. Please contact your legal advisors to discuss any concerns that you may have about the protection of your retirement assets and the application of federal or state law.

5 Generally not required if still working and less than a 5% owner.

How you put these assets to work may significantly affect the quality of your retirement years.

The decision of whether to leave the assets in your former employer's plan, roll them to a new employer's plan or an IRA, or pay taxes on a distribution is a complicated one and must take into account your total financial and tax picture. To reach an informed decision, carefully consider your choices and their tax implications, and discuss the matter with your tax and legal advisors.

FINRA has issued some relevant investor information, such as "Understanding Your Choices: the 401(k) Rollover" or "The IRA Rollover: 10 Tips to Making a Sound Decision." For more information, please go to www.finra.org/investors/insights.

Tax laws are complex and subject to change. Your Atria broker dealer does not provide tax or legal advice and is not a “fiduciary” (under ERISA, the Code, or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by your Atria broker dealer. You should consult your tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA, and related consequences of any investments made under such plan or account.

The state and local income tax treatment of your retirement account, as well as the contribution to it and the distributions from it, may vary based on your state of residence. You should consult with and rely on your own independent tax advisor with respect to such.

Important rollover limitation

If you make a tax-free rollover of any part of a distribution (first distribution) from an IRA to the same or another IRA, you cannot make another tax-free rollover to an IRA of any subsequent IRA distribution the individual receives during the 12-month period beginning on the date you received the first distribution, no matter how many IRAs or the types of IRAs (i.e., Traditional, Roth, SIMPLE, or SEP IRAs) you own. Roth IRA conversions, trustee-to-trustee transfers between IRAs, IRA recharacterizations, and rollovers to or from eligible retirement plans (other than IRA-based plans) are not subject to this limitation.

For more information, visit the Internal Revenue Service website: http://www.irs.gov/ Retirement-Plans/IRA-One-Rollover-Per-Year-Rule.

Guidance on after-tax distributions from retirement plans

There are very specific IRS allocation rules that apply to participants in qualified retirement plans who have made after-tax contributions to the plan and are considering a distribution. You should discuss the topic with the administrator of the qualified retirement plan, as well as your legal and/or tax advisor(s). In order to take advantage of these rule you must inform the plan administrator of your requested allocation prior to the time of the direct rollover, requesting the plan administrator to make two (or more) separate payments. For instance, if you want to roll over your pre-tax funds to your Traditional IRA and your after-tax funds to a Roth IRA, you must ask for two separate payments (e.g., two separate checks): one payable to the custodian of your Traditional IRA (for the pre-tax amount) and one payable to the custodian of your Roth IRA (for the after-tax amount). These rules also apply to distributions from 403(b) and 457(b) plans.

Our conflict of interest in recommending a rollover

If you decide to roll assets out of a retirement plan and into an individual retirement account (IRA) with us, we have a financial incentive to recommend that you invest those assets through us, because we will be paid on those assets, for example, through commissions, fees, and/or third-party payments. Such fees and commissions likely will be higher than those you pay through your plan, and there can be custodial and other maintenance fees. As securities held in a retirement plan generally cannot be transferred to an IRA, commissions and sales charges may be charged when liquidating such securities prior to the transfer, in addition to commissions and sales charges previously paid on transactions in the plan.

Mutual Fund Features, Share Classes, and Compensation

It's important to understand how mutual fund fees and expenses and your choice of share class affect your investment and return.

Summarized below is some important information about mutual fund share classes and the types of fees and expenses you may be required to pay depending upon the share class you select. This summary also explains how we and your financial professional are compensated when you invest in mutual funds. In general, the fees, expenses, and payments described below are specific to mutual fund investments. Other available investment options feature different fees and charges. You should speak with your financial professional if you have any questions regarding the relative costs and compensation for available investment product alternatives.

You can also visit the websites sponsored by the U.S. Securities and Exchange Commission (www.SEC.gov), the Financial Industry Regulatory Authority (www.FINRA.org), the Securities Industry and Financial Markets Association (www.sifma.org), and the Investment Company Institute (www.ICI.org) to obtain additional educational information about mutual funds.

The following information principally pertains to mutual fund sales transacted through commission-based brokerage accounts. For more information on fees and expenses in our fee-based advisory account programs, please refer to the applicable Atria broker dealer ADV Brochure. You should consider all the available methods for purchasing and holding mutual fund shares discussed in this booklet and in your program documents.

Each mutual fund is different

Mutual funds are securities that are offered for sale through a prospectus. Before investing in a mutual fund, you should read the fund's prospectus carefully. The prospectus contains important information on fees, charges, and investment objectives that should be considered carefully before investing. You can also request a copy of a fund's Statement of Additional Information (SAI), for additional details.

All funds charge investment management fees and ongoing expenses for operating the fund that you will pay while you are invested. A fund's prospectus describes, among other things, the fund's investment objective and principal strategy, risks, share classes, and expenses. The prospectus and SAI also describe how sales charges and expenses vary by share class, and how you can qualify for sales charge waivers or reductions based upon the amount of your investments or other circumstances. In choosing a mutual fund investment, you should consider a fund's investment objectives and policies, and its risks—not just the costs and expenses of investing in a particular fund and share class. Determine if they match your own goals. Your financial professional can provide assistance if you have questions.

The basics of mutual fund shares classes

A single mutual fund usually offers different pricing arrangements or "classes" of its shares to meet investor preference and needs. Each share class represents an investment in the same mutual fund portfolio but offers investors a choice of how and when to pay for fund distribution costs. [Many funds also utilize "no-load" share classes—typically offered with no front-end or back-end sales charges—but these share classes are typically available only in fee-based advisory account programs.] Please refer to the applicable Atria broker dealer ADV Brochure for more information on fees and expenses for these accounts.

The most common mutual fund share classes available in commission-based brokerage accounts—A and C—are described below. Class A shares typically assess a front-end sales charge while Class C shares utilize a level sales charge structure. In addition to the no-load share classes offered in our advisory programs, funds may also offer specialized share classes, such as those for eligible retirement plan accounts, share classes that do not compensate financial intermediaries for providing administrative services, and share classes that have no distribution-related expenses, but are subject to "transaction fees" charged by the financial intermediary that sells them. We typically offer Class A, Class B, and Class C shares in our commission-based brokerage accounts. If you wish to purchase other types of shares, which may carry lower overall costs, you

will need to do so directly with the fund or through an account at another financial intermediary.

The key distinctions among share classes are the sales charges and ongoing fees and expenses you pay in connection with your investment in a fund. The timing and amount of compensation received by your financial professional for selling you shares of a fund also is directly affected by the share class you purchase.

FINRA has a share class selection calculator designed to assist you with selecting the least costly share class available in a commission-based brokerage account over the anticipated holding period of the investment. Your financial professional is also available to help you with share class questions. The principal considerations are the size of your investment and the anticipated holding period. You usually should consider Class A shares (the front-end sales charge alternative) if they expect to hold the investment over the long-term (typically, five years or more). Class C shares (the level sales charge alternative) are usually appropriate for shorter-term holding periods.

If you anticipate making large purchases, you should consider Class A shares since Class A shares typically offer sales-charge discounts ("breakpoints") beginning at $25,000 that increase as the size of your investment increases. Shorter-term investors anticipating very large purchases should also consider Class A rather than Class C shares due to the significant breakpoint discounts available at high investment levels. However, except at the highest breakpoint levels, Class A shares are not appropriate for a holding period of less than year.

When deciding which fund and which share class within a fund makes the most economic sense for you, you should ask your financial professional about the effect of a number of factors on your costs, including:

- How long you plan to hold the fund;
- The size of your investment;
- Whether you will be adding to the investment in the future;
- The expenses you'll pay for each class;
- Whether the amount of your initial or intended investment, together with other eligible fund investments, qualifies you for any sales-charge discounts (that is, whether you should execute a letter of intent, whether you are entitled to a right of accumulation, or whether you are entitled to a breakpoint discount); and
- Whether you qualify for any front-end sales charge waivers with respect to Class A shares.

12b-1 and other fees

12b-1 fees take their name from the Securities and Exchange Commission rule under which they were created. They are fees charged against your mutual fund assets on a continuing basis that cover marketing, distribution, and shareholder services costs. 12b-1 fees may also be used, in part, to offset the amounts payable by a fund's principal distributor as compensation to selling firms where the fund share class does not have a front-end sales charge. The portion of the 12b-1 fee that is used for distribution expenses is effectively an asset-based sales charge paid over-time instead of charged as a front-end sales charge.
The amount of the 12b-1 fee is charged as a percentage of the fund's total assets attributable to the share class. A fund also deducts certain other ongoing fees from its assets to pay firms that provide various services to the fund, such as the fund's investment adviser, transfer agent, custodian, and administrator. 12b-1 fees, investment management fees, and other ongoing expenses are described in a mutual fund's prospectus Fee Table. These fees vary from fund to fund and for different share classes of the same fund. You can use prospectus Fee Tables to help you compare the annual expenses of different funds.

Class A shares

Purchasers of Class A shares are typically charged a front-end sales charge or commission (called a "load") that is included in the price of the fund shares. When you buy shares with a front-end sales charge, a portion of the money you invest is used to pay the sales charge. For example, if you invest $10,000 in a fund and the front-end load is 5 percent, you would be charged $500, and the remaining $9,500 would be invested in the chosen fund. Class A share

12b-1 fees (typically 0.25% or $25 per $10,000 of fund assets per year) typically are lower than those of Class C shares.

Class A Share Sales Charge Discounts (Breakpoints)

As noted above, funds may offer purchasers of Class A shares volume discounts—also called breakpoint discounts—on the front-end sales charge if you:

- Makes a large purchase;
- Commits to purchase additional shares of the fund (letters of intent); or
- Holds other mutual funds offered by the same fund family and/or has family members (or others with whom they may link purchases according to the prospectus) who hold funds in the same fund family (rights of accumulation).

Large Purchases

When you purchase Class A shares at or above a "breakpoint," you are entitled to pay a reduced front-end sales charge. For example, suppose the prospectus says that a breakpoint occurs when you purchase $50,000 or more of Class A shares. If you buy less than $50,000 worth of shares, the sales charge is 5.75%. If you buy $50,000 or more worth of shares, the sales charge is 4.50%. Now, suppose you buy $49,500 worth of Class A shares. You would pay $2,846.25 in sales charges. If you buy $50,000 of shares, you would pay only $2,250. In this example, by choosing to invest an additional $500 you would actually pay $596.25 less in the front-end sales charge, and those savings would increase your net investment in the fund.

Mutual funds typically offer multiple breakpoints, each at increasingly higher investment levels. Increasing your investment size, if you are able and willing to do so, can allow you to take advantage of higher breakpoints and further reduce the sales charges you pay. It is important that you understand how breakpoints work so that, consistent with your investment objectives, you can take advantage of the lowest possible front-end sales charge.

Below is a typical breakpoint discount schedule showing the front-end sales load applicable to a purchase of Class A shares at different levels of investment. Different funds and fund families may have different breakpoint schedules.

Sample breakpoint schedule

Class A Shares (Front-End Sales Load)

Investment Amount	Sales Load
Less than $25,000	5.00%
$25,000 or more but less than $50,000	4.25%
$50,000 or more but less than $100,000	3.75%
$100,000 or more but less than $250,000	3.25%
$250,000 or more but less than $500,000	2.75%
$500,000 or more but less than $1,000,000	2.00%
$1,000,000 or more	0.00%

Letters of Intent

A letter of intent (LOI) is an agreement that expresses your intention to invest an amount equal to or greater than a breakpoint within a given period of time, typically 13 months after the LOI period begins. Many fund companies permit you to include purchases completed within 90 days before the LOI is initiated for the purpose of obtaining a breakpoint discount. If you expect to make additional investments during the next 13 months in a fund with a front-end sales load it's worth finding out if an LOI can help you qualify for a breakpoint discount to reduce your front-end sales charge.

If you do not invest the amount stated in your LOI during the 13-month period, the fund can redeem a portion of the shares that you hold to retroactively collect the higher sales charge that would have applied to your purchase without the LOI.

Rights of Accumulation

A right of accumulation (ROA) typically permits you to accumulate or combine your existing fund

family holdings with new Class A purchases of the same fund family's funds for the purpose of qualifying for breakpoints and associated discounts. For example, if you are investing $10,000 in Class A shares of a fund today, and you already own $40,000 in Class A shares of that fund family, the fund may allow you to combine those investments to reach a $50,000 breakpoint, entitling you to a lower sales load on your $10,000 purchase today. Please refer to the fund prospectus for details as rules may vary from fund family to fund family.

Rights of Accumulation–Family and Related Accounts

Fund families typically permit you to aggregate fund family holdings in other accounts that you and your family may own, including fund assets held at other brokerage firms, for the purpose of achieving a breakpoint discount. For example, a fund may allow you to qualify for a breakpoint discount by combining your fund purchases with those of your spouse or minor children. You also may be able to aggregate mutual fund transactions in certain retirement accounts, educational savings accounts or any accounts you maintain at other brokerage firms. In some instances, employer-sponsored retirement or savings-plan accounts may be aggregated. These features vary among fund families.

Other Ways to Eliminate Sales Charges

In addition to qualifying for front-end sales charge discounts through any of the above options, you may also qualify for a waiver, which would eliminate the front-end sales charge.

Two common options available to you are intra-fund family exchange privileges and sales charge waiver programs.

Exchanges Between Funds Within the Same Fund Family

Exchanges between the same share classes of funds within the same fund family typically may be made without sales charges. Funds often limit the number and frequency of transfers that can be made during a certain period of time. Certain funds may impose short-term exchange or redemption fees based on your holding period. Because these time parameters and the amount of any fees vary among mutual fund companies, please check the mutual fund prospectus for more information.

Sales Charge Waivers

Many mutual funds offer waivers that eliminate front-end sales charges on Class A shares to clients who meet various qualifying conditions. These waivers and conditions vary between fund families.

Class B Shares

Class B Shares are not subject to an initial sales charge or front-end load. However, distributions of Class B Shares are subject to a contingent deferred sales charge ("CDSC"), which is a percentage charge deducted from withdrawals from the investment if they are made within a certain number of years. The CDSC gradually declines to zero over a period of years—typically six to eight years. Class B shares are subject to higher ongoing asset-based fees such as higher distribution or service fees and plan management fees as compared to Class A Shares of the same fund, but typically convert to the less expensive Class A shares after being held for eight years.

Class C shares and share conversions

Purchases of Class C shares usually are not subject to front-end sales charges. However, purchasers of Class C shares typically pay a contingent deferred sales charge (CDSC) if the shares are sold within a short time of purchase, usually one year. The 12b-1 fees associated with Class C shares (typically 1.00% or $100 per $10,000 of fund assets per year) are typically higher than those of Class A shares. The portion of the 12b-1 fee that is used for distribution expenses, typically 0.75% per year of the fund's assets, is effectively an asset-based sales charge paid over-time rather than a front-end sales charge applicable to Class A share purchases. These charges allow the fund's distributor to recover its costs of distributing the fund (including compensation payable to financial professional). Notably, these fees can continue indefinitely because in many cases Class C shares do not automatically convert into Class A shares. It is important to bear in mind that Class C shares typically are preferable if you have a shorter-term investment horizon, because during the first years they will usually

be cheaper to buy and sell than Class A shares. However, owning Class C shares over longer holding periods is typically more expensive than owning Class A shares. The higher ongoing expenses associated with Class C shares will mean reduced investment performance over time versus Class A shares.

To reduce the potential for you to hold Class C shares beyond the point where the ongoing costs of ownership exceed Class A shares, many mutual funds have adopted share conversion programs pursuant to which eligible Class C shares held for between seven and ten years are automatically converted into Class A shares of the same fund at net asset value without the imposition of the sales charge that typically applies to Class A shares.

Retirement account shares

Many mutual fund families offer one or more share class pricing options specifically for use by employer-sponsored retirement plans ("Retirement Shares"). Some fund companies offer Class A shares with the front-end sales load waived, while others offer a share class that is dedicated solely to employer-sponsored retirement plans and does not charge a front-end or back-end sales load (e.g., "R shares"). Class R shares, however, typically have higher 12b-1 fees than Class A shares. Not all fund families offer retirement plan account special pricing options, and where they are available, they are often accompanied by fund family specific eligibility criteria and/or plan asset size or participant number requirements.

Fund repurchases

Many funds allow investors who have redeemed Class A shares from a fund within the same family to purchase Class A shares of another fund within the same fund family without a sales load.

Advisory account (no-load) shares

No-load shares do not have front-end or back-end sales charges, and their expenses are typically the lowest of any share class. We do not typically offer no-load shares for brokerage client accounts where typically the only available share classes have a sales charge component.

We do offer no-load shares in many of our fee-based advisory programs. These accounts charge fees for the advice and services provided to you based upon a percentage of billable assets held in the account.

Single shares class funds

Certain fund families may offer only one share class for investors who purchase the funds through commission-based brokerage accounts. These single share class funds are similar to the Class C shares offered by other fund families. Typically, the 12b-1 fees associated with these shares are higher than those of Class A shares and they continue indefinitely. In addition, these single share class funds do not typically offer sales-charge discounts on large individual or cumulative purchases. Because these discounts can be significant, especially at investment levels of $500,000 or more, you should consider all factors when making such an investment, including the impact that the share class fees can have on performance and the fact that other fund families offer breakpoints.

Multiple fund families

Sometimes investors may choose to invest in a multiple fund family. That is, a mutual fund sponsor that offers a number of mutual funds with different investment objectives or investment portfolios. These investors perceive benefits that may include diversification, the ability to select those funds that they believe will have the best opportunity to outperform other funds in specific fund categories, the ability to invest in unique funds that may not be available in a single fund family, and the ability to switch between funds without incurring a new sales charge. This investment strategy could reduce the opportunities to qualify for breakpoint discounts and, as a result, increase the cost of investing in the funds selected. Also, there is no guarantee that a multi-fund family investment strategy will provide significant diversification or outperform a single-fund strategy.

Mutual Fund Platforms

FundVest FOCUS

We offer FundVest FOCUS, a direct mutual fund No Transaction Fee (NTF) platform through Pershing that enables customers to hold multiple fund families in one brokerage account. In the FundVest FOCUS program, we are eligible to receive through a contractual agreement, 100% of Rule 12b-1 fees, and for participating funds that do not pay Rule 12b-1 fees, up to 50% of FundVest service fees for assets over a threshold amount that are held in the aggregate in a customer's brokerage and advisory accounts. Our receipt of a portion of the FundVest funds' service fees creates a conflict of interest because we have an incentive to invest your assets or to recommend that you purchase or hold these mutual funds that pay fees to us over other funds that do not pay these fees. We do not share these fees with our financial professionals.

Most FundVest funds have higher internal expenses than funds that are not in the FundVest program, and the share classes of funds in the program have higher internal expenses than share classes not in the program. The higher internal expenses will reduce the long-term performance of an account when compared to an account that holds lower-cost share classes of the same fund. You should ask whether lower-cost share classes are available and/or appropriate for your account considering your expected investment holding periods, amounts invested, and anticipated trading frequency. FundVest funds held less than six months are also subject to a short-term redemption fee of $50. Further information regarding mutual fund fees and charges is available in the applicable mutual fund prospectus. For a list of funds participating in the FundVest program, please contact your financial professional. Pershing, in its sole discretion, may add or remove mutual funds from the FundVest program or may terminate the FundVest program without prior notice.

fundVISION

CFS/SPF offers fundVISION through Quasar Distributors, LLC, a third party. fundVISION is a consolidated platform for mutual funds which offers clients the ability to hold multiple fund families in a single account. Clients receive consolidated statements and tax documents with diversification within a single account. Fees from each fund provider are eliminated or reduced. None of these fees are shared with the financial professional. If clients invest in mutual funds through a direct product provider, they are subject to varying fee schedules.

Understand the facts about your fee structure

When it comes to front-end sales charges, sales charge waivers, breakpoint discounts, CDSCs (including whether, and over what time period, they decline), 12b-1 fees, and other share-class and pricing terms, each mutual fund follows its own policies, which are described in a fund's prospectus or SAI. When investing in a mutual fund you should:

- Read the mutual fund prospectus, consult the fund's SAI, check the fund's website, or ask your financial professional for additional information about the sales charges and other costs of owning the fund's different share classes.
- Before making a mutual fund purchase, review your account statements and those of your family to identify opportunities to achieve a breakpoint discount. Don't limit your review to accounts at a single brokerage firm. You may have related mutual fund holdings in multiple accounts at different brokerage firms, or with the mutual fund company itself, that can be aggregated for the purpose of achieving a breakpoint discount.
- Discuss with your financial professional any plans you may have for making any additional purchases in the future and your expected investment horizons.

With this information, your financial professional can help you select a share class that may help minimize the fees that you will pay over the life of your investment.

How we and your financial professional are compensated for mutual fund sales

Brokerage Accounts—Sales Charges

Each time you purchase a mutual fund in a commission-based brokerage account, the fund family pays an amount to us as compensation based upon the amount of your investment and the share class you have selected. A portion of these payments is shared with your financial professional.

A fund's dealer compensation practices are described in its prospectus and SAI. For front-end sales charge share classes, the fund families pay us all or most of the initial sales charge you pay. For back-end sales-charge share classes (and for very large Class A share purchases that qualify for a complete waiver of their front-end sales charge), the fund's distributor pays us a selling fee at a rate set by the fund family.

We also receive shareholder-servicing payments (sometimes called "trails") as long as you continue to hold the shares in your account or directly at the fund if we act as your "broker of record." These payments are typically made by the fund's distributor from 12b-1 fee revenues charged against fund assets. Your financial professional receives a portion of each of these payments.

The portion of these payments that we pay to your financial professional is based upon our standard compensation formulas. Our financial professionals' compensation formulas are the same regardless of which mutual fund you purchase. However, some funds may impose higher upfront and ongoing sales charges than others, which can affect the amount paid to your financial professional. In addition, because funds' sales charges are different for their different share classes, the choice of share class can significantly affect the compensation your financial professional receives. These inherent mutual fund product pricing discrepancies present a conflict of interest for us and our financial professionals when recommending purchases of funds and fund share classes.

Advisory Accounts—Program Fees

Mutual funds offered in our advisory account programs are not subject to front-end or ongoing transactional sales charges. Rather, these accounts charge fees for the advice and services provided to you along with an advisory account platform fee based upon a percentage of assets held in the account. Please refer to the applicable Atria broker dealer ADV Brochure for more information on the fees and expenses for these accounts.

Revenue Sharing

We receive asset-based and sales-based compensation from certain mutual funds who are part of our Partner program. Such payments vary by mutual fund sponsor. Such compensation is based on client account holdings in fund families and ranges from 0.01% per year ($1 per $10,000 of assets) up to a maximum of 0.25% per year ($15 per $10,000 of assets).

Revenue-sharing payments are typically paid out of a fund's investment adviser, distributor, or other fund affiliate's revenues or profits and not from a fund's assets. However, fund affiliate revenues or profits may in part be derived from fees earned for services provided to and paid for by a fund. We do not receive any portion of these revenue-sharing payments through brokerage commissions generated by a fund. Revenue-sharing payments are in addition to the sales charges, annual distribution, service fees (referred to as "12b-1 fees"), applicable redemption fees, deferred sales charges, and other fees and expenses disclosed in a fund's prospectus fee table.

A list of revenue-sharing fund families is available on our website at the address noted in the "For More Information" section below.

Our receipt of revenue-sharing from some mutual fund families, but not all, presents a conflict of interest for us to promote and recommend funds from those fund families rather than funds from families that no not pay revenue sharing. In order to mitigate this conflict, financial professionals do not receive additional compensation as a result of revenue-sharing payments we receive. Moreover, for advisory account clients the fees are rebated.

Expense Payments

In some cases, mutual fund families who are Partners pay additional marketing payments to us to cover fees to attend conferences or reimburse expenses for workshops or seminars. The payments made under the Partners Program are calculated based either on gross sales or assets under management and vary by product sponsor or on a flat fee arrangement. The benefits Partners receive include access to financial professionals and contact lists, preferred placement on each Atria broker dealer's website, our support of product training, and the ability to participate in our financial professional and client conferences.

Fund families independently decide if and what they will spend on these activities. Some fund families also invite our financial professionals to attend fund family-sponsored events. Expense payments may include meeting or conference facility rental fees and hotel, meal and travel charges.

Fund family representatives are allowed to occasionally give nominal gifts to financial professionals, and to occasionally entertain financial professionals (subject to an aggregate entertainment limit of $100 per employee per fund family per year). Our non-cash compensation policies set conditions for each of these types of payments, and do not permit any gifts or entertainment conditioned on achieving any sales target.

Money market sweep funds

Money market funds are subject to different compensation arrangements than the revenue-sharing outlined above for mutual funds.

For brokerage accounts in custody with Pershing, Pershing pays or shares with us a portion of the revenue Pershing receives from uninvested client cash balances in brokerage accounts automatically moved (swept) into money market funds and FDIC insured bank deposit products of up to 0.60% of the value of cash balances.

Exchange-Traded Funds

Exchange-traded funds (ETFs) combine aspects of mutual funds and conventional stocks. Like a mutual fund, an ETF is a pooled investment fund that offers an investor an interest in a professionally managed, diversified portfolio of investments. But unlike mutual funds, ETF shares trade like stocks on stock exchanges and can be bought or sold throughout the trading day at fluctuating prices.

ETFs can vary in a number of ways:

- *Regulatory structure*. While most ETFs are registered with the SEC as investment companies under the Investment Company Act and the shares they offer to the public are registered with the SEC, some ETFs that invest in commodities, currencies, or commodity- or currency-based instruments are not registered investment companies although their publicly-offered shares are registered with the SEC.
- *Management style and investment objective*. Investment objectives vary by ETF and the management style of a given ETF. Many ETFs are designed to track a particular market index and are similar to index mutual funds. The objective of passively managed ETFs is to achieve the same return as the index that they track by investing in all or a representative sample of the stocks included in the index. Some passively managed ETFs aim to earn a return that is a multiple or a reverse (inverse) multiple of the return of a particular stock index. These are referred to as leveraged or inverse ETFs. On the other hand, actively managed ETFs invest to achieve a particular investment objective by buying and selling stocks in accordance with an investment strategy rather than tracking an index. An ETF's investment objective is stated in its prospectus.
- *Indices tracked*. ETFs track a huge variety of indices. Some indices are very broad market indices, such as total stock or bond market indices. Other ETFs track indices that are narrower, such as those made up of medium and small companies, only corporate bonds, or just international companies. Some EFTs track extremely narrow—and sometimes very new—indices that might

not be fully transparent or about which little is known.

Types of ETFs

- *Market ETFs*: designed to track a particular index like the S&P 500 or NASDAQ.
- *Bond ETFs*: designed to provide exposure to most types of bond available; U.S. Treasury, corporate, municipal, international, and high-yield.
- *Sector and industry ETFs*: designed to provide exposure to a particular industry, such as oil, pharmaceuticals, or high technology.
- *Commodity ETFs*: designed to track the price of a commodity, such as gold, oil, or corn.
- *Style ETFs*: designed to track an investment style or market capitalization focus, such as large-cap value or small-cap growth.
- *Foreign market ETFs*: designed to track non-U.S. markets, such as Japan's Nikkei Index or Hong Kong's Hang Seng index.
- *Inverse ETFs*: designed to profit from a decline in the underlying market or index.
- *Exchange-traded notes (ETNs)*: debt securities backed by the creditworthiness of the issuing bank; created to provide access to illiquid markets without generating short-term capital gain taxes.
- *Alternative investment ETFs*: innovative structures, such as ETFs that allow investors to trade volatility or gain exposure to a particular investment strategy, such as currency carry or covered call writing.

Buying and Selling ETFs

Investors purchasing or selling shares in an ETF typically pay a brokerage commission on each transaction. When you purchase or sell ETF shares, you receive the market price on the exchange at the time the order is placed. This price may fluctuate throughout the trading day. The intraday pricing of ETFs tends to provide investors with greater trading flexibility, because you can monitor how the price is doing and do not have to wait until the end of the day to know your purchase or sale price.

ETF Expenses

In addition to any brokerage commission you may pay, ETFs have expense ratios, like mutual funds, calculated as a percentage of the assets you have invested. ETFs do not have loads or 12b-1 fees (fees that are taken out of a mutual fund's assets annually to cover the costs of marketing and distributing the fund to investors).

In general, actively managed ETFs cost more than passively managed index ETFs. Before purchasing ETF shares, carefully read all of an ETFs available information, including its prospectus. All ETFs will deliver a prospectus upon request.

Potential advantages of ETFs

The appeal of ETFs to individual investors is:

- Buy and sell any time of the day: Mutual funds, in contrast, settle after the market close
- Lower fees: There is no sales load, however, brokerage commissions do apply
- More tax efficient: Investors have better control over when they pay capital gains tax
- Trading transactions: Because they are traded like stocks, investors can place a variety of types of orders (limit orders, stop-loss orders, buy on margin) which are not possible with mutual funds

Disadvantages of ETFs

While superior to mutual funds in certain respects, ETFs do have drawbacks, including:

- Trading costs: If you invest small amounts frequently, there may be lower-cost alternatives by investing in a mutual fund
- Illiquidity: Some thinly traded ETFs have wide bid/ask spreads, which means you'll be buying at the high price of the spread and selling at the low price of the spread

- Tracking error: While ETFs generally track their underlying index fairly well, technical issues can create discrepancies
- Settlement dates: ETF sales are not settled for 2 days following a transaction, which means as the seller, your funds from an ETF sale are not technically available to reinvest for 2 days.

Understanding 529 Education Savings Plans and Compensation

What are my options for funding education expenses?

There are many investment vehicles available to help you save for education expenses—including 529 savings plans, prepaid tuition plans, Coverdell Education Savings Accounts, Uniform Transfer to Minors Act (UTMA)/Uniform Gift to Minors Act (UGMA) custodial accounts, U.S. savings bonds, mutual funds, stocks, bonds, and traditional savings accounts. Each vehicle has different tax implications, risk factors, investment options, and cost considerations. Your financial professional can provide you with information about the available options and can help you decide which vehicle(s) are most appropriate for you and your family.

What is a 529 Plan?

529 plans take their name from the section of the Internal Revenue Code that was enacted by Congress when the plans were created in 1996. 529 plans are officially known as Qualified Tuition Plans, a tax-advantaged investment vehicle designed to help families pay for future education expenses. There are two types of 529 plans: savings plans and prepaid tuition plans. Both are typically sponsored by states or state agencies. Forty-nine states and the District of Columbia sponsor one or more 529 plans. The tax advantages, investment options, restrictions, and fees can vary a great deal. Understanding the differences between plan types and state-specific state tax benefits is important.

What types of 529 Plans are available?

529 plans are typically managed by investment management firms, (e.g., mutual fund companies) and your contributions are typically invested in underlying investment options such as mutual funds that support the plan. Your investment fluctuates in value, so there is no guarantee that the amount contributed to the plan will equal the amount necessary for future education expenses. Savings plans may offer greater flexibility than prepaid tuition plans because they offer multiple investment options and you are not restricted to using the account balances for a specific educational institution (or group of institutions) or within the sponsoring state. You may also be able to apply the proceeds from a savings plan to other expenses (e.g., room and board, textbooks, supplies, and equipment) in addition to tuition and fees. Many states offer more than one savings plan, providing residents with a choice of investment management firms.

We do not offer prepaid tuition plans. The information that follows relates to savings plans only.

What are the Federal tax considerations?

529 plans offer significant tax advantages for education saving investors. Earnings grow tax-deferred and withdrawals from a 529 savings plan are not subject to federal income tax if utilized for qualified education expenses at an eligible educational institution. The term “qualified education expenses” typically includes tuition, required fees, books, supplies, certain required equipment, and the cost of room and board (subject to certain limits). An “eligible educational institution” typically includes most community colleges, public and private four-year colleges, universities, graduate and postgraduate programs, certain vocational schools that are eligible to participate in federal student financial aid programs, and elementary and secondary public, private, or religious schools.

If you make a withdrawal for purposes other than to pay a beneficiary’s qualified education expenses, then the earnings portion of the withdrawal is subject to federal and possibly state income tax and an additional 10% federal tax penalty.

What state and local tax benefits apply?

You and/or your beneficiary's state of residence may affect your ability to qualify for any applicable state and local tax benefits granted to 529 plan investments. Many states provide tax incentives and other benefits for state residents who invest in a plan sponsored by their home state, which may include:

- State tax deductions for contributions
- Deferral of state income taxes on earnings maintained in the plan
- State income tax-free qualified withdrawals
- Protection from creditors for certain assets

Additionally, so-called "in-state plans" often waive or rebate certain fees and expenses for state residents.

Before investing in a 529 plan, you should consider whether the state(s) where you or your beneficiary reside or pay state income taxes sponsors an in-state plan and whether the tax and other benefits afforded state residents are significant to you based on your particular circumstances. Your financial professional can direct you to information about in-state plans and select out-of-state 529 plans and the availability of state or local income tax or other benefits offered. Other factors to consider include the variety of investment options available, including the range of investment objectives and strategies offered, risk factors related to the variety of investment options or the lack of variety, relative performance, fees and services.

Where is your money invested?

Your contribution to a 529 savings plan is invested in a portfolio(s), typically consisting of underlying mutual funds. Although very similar to mutual funds in design and structure, a 529 savings plan's portfolios are issued by state governments, and in most cases, are not directly regulated under the federal securities laws applicable to mutual funds, but rather the Municipal Securities Rulemaking Board (MSRB).

Most savings plans offer the following types of investment options:

- Static Investment Portfolios—Your contributions are invested in a portfolio that does not change, remaining "static" over time in a specific combination of underlying mutual funds. The specific underlying mutual funds are combined to achieve a specific risk/reward relationship.

- "Age-Based" or "Years-to-Enrollment" Investment Options—Your contributions are invested in a portfolio that automatically changes over time depending on the age of your beneficiary or the number of years left before your beneficiary enrolls in an educational institution (also known as the date of matriculation). The investment manager adjusts the allocation of specific underlying mutual funds and their relative weighting within the portfolio over time, typically growing more conservative over time.

- Individual-Fund Investment Options—Your contributions are invested entirely in one or more portfolio(s) consisting of a single underlying mutual fund and, like static (multi-fund) portfolios discussed above, do not change unless you or your financial professional make an exchange.

What fees and charges apply to 529 plans?

A 529 savings plan's fees and charges are used by the 529 plan sponsor to support the plan and compensate firms for selling interests in the plan. Some of those fees are based on the amount of assets in your plan account. Other fees are assessed on a transactional or periodic basis.

- Program management fees—The Program Manager of each 529 savings plan typically receives a program management fee. The program management fee compensates the manager for providing investment advisory, distribution, marketing, accounting, and other services to the plan. The fee is typically assessed as a percentage of portfolio assets.

- State administration fees—To help pay for the operation of the plan, some state sponsors of 529 savings plans charge a state administration fee assessed as a percentage of portfolio assets.

- Annual maintenance/enrollment/termination fees—These fees are typically imposed as a specific dollar amount, and apply at specified times or upon certain events (e.g., initial purchase, termination, or on the account anniversary).

- Underlying mutual fund expenses—Each investment portfolio indirectly bears a proportional share of the fees and expenses incurred by the underlying mutual fund(s) (e.g., investment management fees and other expenses).

- Sales charges, distribution, and/or service fees—Depending upon the share/unit class selected, a front-end sales charge may be assessed on your purchase. In addition, annual distribution and/or service fees may apply. These fees, similar to the “12b-1” fees charged by mutual funds, typically range between 0.25% and 1.25% of your investment annually.

Plan management fees and state administration fees may vary by unit class within a particular plan.

529 plan share/unit class differences

Most 529 plans offer different “unit” class pricing options similar to the share class pricing arrangements offered by mutual funds. For these purposes, the terms “unit class” and “share class” are interchangeable. Each unit or share class of a particular investment option within a plan has an expense and sales charge structure based on the various types of asset-based fees, other fees and expenses, and sales charges assessed.

- Class A Units—Class A units are subject to a sales charge or front-end load that is deducted as a percentage of the amount of your initial contribution. The net amount of the contribution (after the deduction of the initial sales charge) is invested in units of the Plan’s portfolio(s). Typically, this share class has the lowest ongoing expenses.

  You may be eligible for sales charge reductions or “breakpoints” based on the size of your investment in the 529 plan. In addition, you may qualify for “rights of accumulation.” These are further discounts when the amount of your 529 plan investment is combined with other assets that you and your immediate family members already have invested in the plan and/or in certain mutual funds managed by the manager for that plan. Specific rules for achieving breakpoints vary from plan to plan. When making any new 529 plan purchase, you should inform your financial professional of any 529 plan purchases, holdings in the same 529 plan, or holdings in mutual funds managed by the manager of the 529 plan. If you have any questions about the availability of sales charge discounts on any 529 plan purchases, please ask your financial professional.

- Class B Units—Class B units are not subject to an initial sales charge or front-end load. However, distributions of Class B units are subject to a contingent deferred sales charge (“CDSC”), which is a percentage charge deducted from withdrawals from the plan if they are made within a certain number of years. The CDSC gradually declines to zero over a period of years—typically six to eight years. Class B units are subject to higher ongoing asset-based fees such as higher distribution or service fees, plan management fees, and/or state administration fees as compared to Class A units of the same plan, but typically convert to the less expensive Class A units after being held for eight years.

- Class C Units—Similar to Class B units, Class C units do not have a front-end sales charge. However, Class C units have a lower CDSC than Class B units (typically 1%), and the period during which the Class C CDSC can be

imposed is shorter (typically one year). However, like Class B units, Class C units are subject to higher ongoing asset-based fees such as higher distribution or service fees, plan management fees and/or state administration fees. These fees may remain in place for the life of the investment since Class C units traditionally have not converted to Class A units as is the case with Class B units.

Choosing a unit/share class

Your financial professional is available to help you decide which unit or share class is typically the most economical for you. The principal considerations are the size of your investment and the anticipated holding period. Over time, you may end up paying higher fees and expenses and may experience lower investment returns with Class C units than you would with Class A units because of the accumulated impact of higher ongoing asset-based fees. For that reason, you typically should purchase Class A units (the initial sales charge alternative) or Class B units (the deferred sales charge alternative) if they expect to hold the investment over the long term (typically, five years or more). Class C units (the level sales charge alternative) are typically appropriate for shorter-term holding periods. In addition, if you anticipate large purchases should consider Class A units since they typically offer sales-charge reductions beginning at $25,000 that increase as the size of your investment increases.

How can I purchase a 529 plan?

529 plans typically are managed by investment management firms. They may be offered directly to you ("direct-sold") through a toll-free number and website or through your financial professional ("advisor-sold").

Most states offer more than one 529 plan. Some states offer both advisor-sold and direct-sold savings plans, while other states only offer direct-sold savings plans. The cost of investing in an advisor-sold savings plan is typically higher than a direct-sold savings plan because of the amounts that are payable to the selling firm.

We do not offer every state's 529 plan. It is important for you to investigate what your home state has to offer in addition to speaking with your financial professional or tax professional.

What restrictions are placed on 529 plan investing?

Your ability to contribute to a 529 plan is not limited by your household income. However, each state limits the total amount of contributions made on behalf of a particular beneficiary. The purpose is to prevent contributions on behalf of a particular beneficiary in excess of the amount necessary to provide for his or her qualified education expenses. The contribution limits on 529 plans are typically quite high and are much higher than those available for some other saving options (e.g., Coverdell Education Savings Accounts). These limits vary by plan and do not necessarily mean that this option is best for you and your family.

Federal gift taxes may also influence 529 plan contributions. In general, for 2020 a gift of more than $15,000 to a single person in a single year may be subject to the federal gift tax. A special federal tax law permits individuals to aggregate five years of the allowable $15,000 annual gift tax exclusion and contribute up to $75,000 ($150,000 per married couple) to an account for a designated beneficiary in one year without triggering the gift tax. Various conditions and filing requirements apply. You should consult with a tax advisor for more information on the potential tax ramifications of 529 plan contributions and investments.

For most 529 savings plans, there are no residency requirements. In general, most U.S. citizens or permanent residents are eligible to set up a 529 plan for any beneficiary, including themselves. You must satisfy the age requirement for the applicable plan. Each plan has its own eligibility requirements, so please consult your financial professional or the plan offering documents for more information.

How we and your financial professional are compensated when I buy a 529 plan

529 plan sponsors pay us compensation when we sell their 529 plans. A 529 plan sponsor's dealer-compensation practices are described in its program offering materials. Typically, for front-end sales charge classes, the plan's distributor pays us most of the initial sales

charge you pay. For back-end sales charge unit/share classes, the distributor pays us a selling fee at a rate set by the plan. We also receive account-servicing payments (sometimes referred to as trails) as long as you continue to maintain your account and we act as your "broker of record."

The amount of the compensation that we receive is a function of the unit/share class that you purchase, and for certain classes, the amount of your purchases. We pay a portion of the compensation to our financial professionals based on our standard compensation formulas. These formulas are the same regardless of which plan you purchase. However, some plans impose higher sales charges than others, which can affect the amount paid to your financial professional. In addition, because plan sales charges are different for their different unit/share classes, the choice of unit/share class can significantly affect the compensation your financial professional receives. You are encouraged to ask their financial professional how he or she will be compensated for any 529 plan sale.

For more information

You can also visit the websites sponsored by the Securities and Exchange Commission (www.SEC.gov) and the Financial Industry Regulatory Authority (www.FINRA.org) to obtain additional information about 529 savings plans.

Unit Investment Trusts (UITs)

What is a UIT?

A unit investment trust ("UIT") is a SEC-registered investment company that issues redeemable securities and invests in a portfolio of bonds and/or equity securities according to a specific investment objective or strategy. Typically, a UIT's portfolio is not actively traded and follows a "buy and hold" strategy, investing in a static portfolio of securities for a specified period of time. Certain UITs may hold a portfolio that reflects an index. At the end of the specified period, a UIT terminates and all remaining portfolio securities are sold. Redemption proceeds are then paid to you.

UIT sponsors offer many different UITs, each of which seeks a particular investment objective or follows a predefined investment strategy. In general, UIT sponsors offer successive "series" of each UIT — the offering period for each new series coincides with the time that a prior series terminates. This allows you to purchase a new series of the UIT with the same objective or strategy but with a new portfolio of securities. You can also reinvest the proceeds from one series and invest in a different UIT.

What are the costs associated with investing in UITs

All UITs have fees and expenses. These costs affect the return on your investment. UIT fees and expenses can be divided into sales charges and those that relate to operation of the UIT.

Sales Charges: a UIT assesses a sales charge on units you purchase in commission-based brokerage accounts. The sales charge for a UIT is composed of three components. First, an initial sales charge may be applied to your purchase amount, which range from 0.0% to 3.5%. Second, most UITs assess a deferred sales charge, which range from 1.35% to 0.00%. The deferred sales charge is typically deducted in periodic installments following the end of the initial offering period. Finally, most UITs assess a creation and development fee that compensates the UIT sponsor for creating and developing each UIT, including determining the UIT's investment objectives and policies, selecting portfolio securities, and other functions. The creation and development fee (typically 0.5%) is typically deducted at the end of the initial offering period.

A UIT may be offered through fee-based investment advisory accounts. UIT units purchased through a fee-based investment advisory account are not assessed initial sales charges or deferred sales charges; however, the creation and development fee does apply. The advisory account's fee also applies to the UIT asset value.

Operating Expenses/Organization Costs: All UITs make a charge against the UIT portfolio's assets for amounts expended to organize the trust itself. UITs separately deduct an amount for operating expenses, including portfolio supervision, bookkeeping, administrative costs,

and trading expenses. These amounts vary with each UIT. Typical organization expenses range from 0.23% to 0.679% and operating expenses range from 0.215% to 0.231% per year.

Each UIT is different and specific fees and charges may be referred to by different names. Actual charges may differ based on the duration of the UIT and the terms of each UIT's prospectus. Longer-duration UITs typically have higher sales charges. You should review the terms of the prospectus for any UIT you intend to purchase.

How we and your financial professional are compensated when you buy a UIT

UIT sponsors compensate us when we sell their UITs, except when purchased through a fee-based investment advisory account. We receive a portion of the maximum sales charge, referred to as the dealer concession. For example, if the maximum sales charge is 3.50%, we expect to receive as a dealer concession up to 3.00%. The difference between the maximum sales charge and dealer concession is retained by the UIT sponsor. Each UIT prospectus describes the applicable sales charge and dealer concession. We pay a portion of the dealer concession to our financial professionals based upon our standard compensation formulas, which are the same regardless of which UIT you purchase. However, as noted above, some UITs impose higher sales charges than others, which can affect the amount paid to your financial professional.

UITs purchased through a fee-based investment advisory account do not result in any additional compensation to your financial professional; however, the advisory account's fee is applied to the UIT asset value.

In addition to the dealer concession, we receive additional sales concessions from certain UIT sponsors based on the overall volume of UIT sales in a particular trust during the initial offering period. The sales volume required to be eligible to receive these additional amounts vary by UIT sponsor and by trust, and the additional amounts that we receive for such sales may also differ. Amounts may be up to 0.035% in addition to the standard dealer concession. We retain the additional volume-based concessions we receive. We do not receive an additional volume-based concession on units purchased through fee-based investment advisory accounts.

UIT sponsors make payments to us from the portion of the maximum sales charge the sponsor does not pay to distributors as the dealer concession, and other corporate assets that may be derived from profits on other fees and charges it receives from sponsoring and operating a UIT.

UIT sponsors who are Partners pay additional marketing payments to us to cover fees to attend conferences or reimburse expenses for workshops or seminars. The payments made under the Partners Program are calculated based either on gross sales or assets under management and vary by product sponsor or on a flat fee arrangement. The benefits Partners receive include access to our financial professionals and contact lists, preferred placement on the Atria broker dealer websites, our support of product training, and the ability to participate in our conferences.

Annuities

An annuity is a contract between you and an insurance company that promises to pay you a regular income, or a lump sum, beginning immediately (an immediate annuity) or at some future date (a deferred annuity). The income can be guaranteed for your life or both your life and your spouse's life. Generally, annuities are considered long-term investments. Investors often use annuities to supplement their other retirement income, such as Social Security.

There are three basic types of deferred annuities: fixed, indexed, and variable (including market or indexed-linked). As their name implies, fixed annuities promise a specific, guaranteed interest rate on the money in the account for a set period of time. Indexed annuities provide a return that is based on the performance of a particular market index, such as the S&P 500. The return on a variable annuity is based on the performance of a portfolio of mutual funds, or sub-accounts, chosen by the annuity owner.

All three types of deferred annuities grow on a tax-deferred basis. You pay taxes only when you make a withdrawal, take a lump sum

distribution, or begin receiving income from the account. At that point, the money you receive is taxed at the same rate as their ordinary income.

A deferred annuity has two phases—the savings (or "accumulation") phase and the payout (or "annuitization" or "income") phase. During the savings phase, you make purchase payments into the contract and the earnings accumulate on a tax-deferred basis. The payout phase starts when you begin receiving regular payments from the insurance company by electing an income option. Many contracts include a commencement date, typically between ages 85 and 95, when you are required to select a payout option (also known as "forced annuitization"). Annuitization of annuity contracts typically requires control of the investment to be given to the insurance company and will typically terminate any living or death benefits provided in the contract.

Deferred annuities are long-term investments because they are less liquid than, for example, mutual funds purchased outside of an annuity. Most annuity contracts put limits on withdrawals, such as allowing just one per year. Withdrawals may also be subject to surrender fees charged by the insurer. In addition, if you are under age 59½, you will generally be subject to a 10% tax penalty on the amount you withdraw.

Deferred annuities often include a death benefit component. If you die while the annuity is still in its accumulation phase, your heirs may receive some or all of the account's value. If the annuity has entered the payout phase, however, the insurer may simply keep the money, unless the contract includes a provision to keep paying benefits to your heirs for a certain number of years.

Variable annuities

A variable annuity is a tax-deferred retirement product that allows you to choose from a selection of investments, and then pays you a level of income in retirement that is determined by the performance of the investments you choose. You can purchase a variable annuity by making either a single purchase payment or a series of purchase payments. However, certain benefit options (e.g., death benefit or living benefit protection options) may limit additional purchase payments.

Variable annuities offer features not typically found in other types of investment products, including:

- Tax-deferred earnings,
- Tax-free transfers among a variety of investment options (or "subaccounts"),
- Access to the research and due diligence of the variable annuity's professionally managed, unique investment options, and investment allocation strategies,
- Death benefit protection options,
- Living benefit protection options, and
- Lifetime income options.

Why consider an annuity?

An annuity is a long-term investment primarily designed for retirement or another long-range goal. An annuity lets you accumulate assets on a tax-deferred basis. If you are looking to supplement other sources of retirement income—such as Social Security and pension plans—you may want to consider an annuity. When considering the purchase of a variable annuity, a number of factors should be taken into account including your:

- Age,
- Annual income,
- Financial situation and needs,
- Investment experience and investment objectives,
- Intended use for the variable annuity (e.g., to leave assets to beneficiaries, to receive income for life, tax deferred investments, etc.),
- Investment time horizon,
- Existing assets including investment and life insurance holdings,
- Liquidity needs (see the section titled "Share Class and Surrender Periods" for more information),
- Liquid net worth,
- Net worth,
- Tolerance for risk, and
- Tax status.

A variable annuity involves investment risk and may lose value. Therefore, you should consider your ability to sustain investment losses during periods of market downturns. Before buying any variable annuity, you should request a prospectus from your financial professional and

read it carefully. The prospectus contains important information about the variable annuity contract including fees and charges, investment options and objectives, risks, death benefits, living benefits, and variable annuity income options. All of these should be considered carefully. You should compare the benefits and costs of the variable annuity you are considering to other variable annuities and to other types of investments before investing.

“Free Look” period

A variable annuity typically has a trial period of 10 or more days from your receipt of the contract. This is known as the “free look” period. During this time, you can terminate the contract and get back your purchase payments without paying any surrender charges. The purchase payments may be adjusted to reflect charges and the performance of the subaccounts you selected. You are encouraged to ask questions before the “free look” period ends to make sure you understand your variable annuity and confirm that it is right for you.

Variable annuity fees and charges

There are fees and charges that are unique to variable annuity products. These fees and charges cover the cost of contract administration, distribution, portfolio (or investment) management, and the insurance benefits (e.g., death and living benefit protection options, lifetime income options). Because fees and charges may be assessed on the original investment, the current account value, or the benefit’s base value (or “benefit base”), you should become familiar with the types of fees and charges, and the methodology for their calculation within the particular variable annuity you are purchasing. The most common fees and charges are:

- Mortality and Expense Risk Charge (M&E): The M&E charge compensates the insurance company for insurance risk and other costs it assumes under the variable annuity contract. M&E charges are deducted from the value of the subaccounts (i.e., the investment options you select). The fees for any optional death and/or living benefit you may select are not included in the M&E charge. M&E charges are assessed daily and typically range from 0.20% to 1.80% annually. If the M&E charge is 1.50%, you would be charged $150 annually for each $10,000 invested.

- Administrative and Distribution Fees: These fees cover the costs associated with servicing and distributing the variable annuity. These fees include the costs of transferring funds between subaccounts, tracking purchase payments, issuing confirmations and statements, and ongoing client service. Administrative and distribution fees are deducted from the value of the subaccounts. These fees are assessed daily and typically range from 0% to 0.60% annually. If the administrative charge is 0.15%, you would be charged $15 annually for each $10,000 invested.

- Contract Maintenance Fee (or Annual Fee): The contract maintenance fee is an annual flat fee charged for record keeping and administrative purposes. The fee typically ranges from $30 to $50 and is deducted on the contract anniversary. This fee is typically waived for contract values over $50,000.
- Underlying Subaccount Fees and Expenses: Fees and expenses charged on the subaccounts. These include management fees that are paid to the investment adviser responsible for making investment decisions affecting your subaccounts. This is similar to the investment manager’s fee in a mutual fund. Expenses include the costs of buying and selling securities as well as administering trades. These asset-based expenses vary by subaccount and typically range from 0.15% to 3.26% annually.

- Contingent Deferred Sales Charge (CDSC or Surrender Charge): Insurance companies usually assess an early termination or surrender charge to a variable annuity owner who liquidates or surrenders a contract (or makes a partial withdrawal in excess of a specified amount) during the surrender period (see the section titled “Share Class and Surrender Periods” for additional information). The charge is typically a percentage of the amount withdrawn and declines gradually during the surrender period. A typical surrender schedule has an initial charge ranging from 0% to 9% and decreases each year that the contract is in force until the charge reaches

zero. Typically, the longer the surrender schedule, the lower the contract fees. Most contracts will begin a new surrender period for each subsequent purchase payment, specific to that subsequent purchase payment.

- Optional benefit/rider fees: many annuities offer optional features, such a living and death benefits. These benefits carry additional fees. The value of an optional benefit should be weighed against the cost. Under certain life events or market conditions, it is possible that you may pay for a benefit and never take advantage of its features. The prospectus describes the optional benefit fees and how they are calculated.

Annuities in investment advisory/wrap fee accounts

A variable annuity may be purchased in either a brokerage account or in an investment advisory account.

In addition to the variable annuity fees discussed above (which are typically lower for annuities offered in advisory/wrap fee accounts), investment advisory/wrap fee accounts typically have a separate inclusive fee which is based on a percentage of assets held in the account. That fee may ultimately lead to cases where a variable annuity purchased in an investment advisory/wrap fee account results in higher client fees. In those situations, the purchase of a fee-based variable annuity should be supported by other factors such as the services provided as part of the investment advisory relationship, and whether the investment advisory relationship is appropriate for you.

Notwithstanding this, it may make sense to hold an annuity in an advisory account if:

- You appreciate the flexibility to terminate the annuity contract in the early years of the contract, where surrender charges may materially impact contract performance (surrender charges for advisory annuity contracts are typically lower than for brokerage annuity contracts); and/or
- You value the service that your financial professional provides by advising you on your entire portfolio in your advisory account (including annuities).

Conversely, it would make sense to hold an annuity in a brokerage account if:

- You are confident that it is unlikely that you will terminate the annuity contract in the early years of the contract; and/or
- You feel that the relatively static “buy and hold” nature of an annuity contract would not justify the additional expense of holding it in an advisory account.

Share class and surrender periods

Variable annuities are traditionally offered with varying fee and surrender charge periods. These are otherwise known as “share classes.”

“B Share” annuities are typically lower-cost alternatives with the longest surrender periods while “B Share with liquidity feature,” “C Share,” and “L Share” annuities are higher-cost alternatives with the shortest surrender periods. Since the share class selected determines the fees and surrender charge associated with your selected variable annuity contract, you should familiarize yourself with the share classes available before you decide to invest.

Points to consider include:

- The benefits of tax deferral and the selection of optional living benefit protection options typically involve a long-term time horizon.

- Contract fees and/or surrender charges may significantly impact a variable annuity contract’s investment performance.

- Unexpected life events and individual preference may lead you to prioritize greater access to his or her investment and therefore choose a more expensive share class option.

- If you do not anticipate needing access to the funds you invest in a variable annuity, you should consider purchasing a B Share variable annuity because this will be the lowest-cost option available over long-term time horizons. This will

enhance the potential for increased returns versus the purchase of the more expensive B share with liquidity feature, L Share, and C Share annuities.

Determination of the appropriate balance between (a) access to your investment, (b) contract fees and charges, and (c) the duration required to take full advantage of any optional benefit you may select are important factors to review with your financial professional. Before you invest, you should carefully read and compare the description of costs, including the applicable surrender schedule, included in the variable annuity prospectus. You should understand the features, benefits, and costs of the variable annuity you are considering. This information is also included in the variable annuity prospectus.

Type of annuity	Surrender period	Surrender charges	Typical yearly contract fees	Investor considerations
"B share" annuity	5 – 8 years on each contribution	CDSC starts at approximately 7% and subsequently declines each year to zero over the surrender period	• Asset-based contract charges that usually range from 1.15% to 1.45% • Contract fees that usually range from $0 to $50 • Underlying fund expenses that range from 0.15% to 3.26%	• You have a long-term time horizon (5-8 years or longer) • You intend to access your investment before the end of the surrender period • You want the lowest cost annuity available
"L share" annuity or "B share with liquidity riders	4 years on each contribution	CDSC starts at approximately 7% - 8% and subsequently declines each year to zero over the surrender period	• Asset-based contract charges that usually range from 1.45% to 1.80%, which are reduced by 0.30% to 0.40% starting in the fifth year • Contract fees that usually range from $0 to $50 • Underlying fund expenses that range from 0.15% to 3.26%	• You value access to your money within a fur-year time horizon • You are willing to pay higher fees in exchange for the flexibility to reposition investments if needs or goals change
"C share" annuity	Fully liquid	Offers full liquidity to owner at any time after purchase	• Asset-based contract charges that usually range from 1.65% to 1.95% • Contract fees that usually range from $0 to $50 • Underlying fund expenses that range from 0.15% to 3.26%	• You value access to your money immediately after investing • You are willing to pay higher fees in exchange for the flexibility to reposition investments if needs or goals change
Investment Only (IOVA)	5 years on each contribution	CDSC starts at approximately 5% to 6.5% for each contribution and declines each year to zero over the surrender period	• Asset-based contract charges in the range of 1% to 1.10% • Underlying fund expenses that generally range from 0.15% to 3.26%	• You are seeking growth and do not want a death benefit or living benefit • You are primarily interested in tax-deferral

Annuity purchase in an investment advisory/wrap fee account	Varies, but generally fully liquid	If applicable, CDSC starts at approximately 3% for each contribution and declines to zero over surrender period	• Asset-based contract charges in the range of 0.20% to 0.60% • Contract fees that range from $0 to $50 • Underlying fund expenses that generally range from 0.15% to 3.26%	• You have an advisory account

Certain insurance companies may limit their variable annuity offerings to a single share class that may have a surrender period ranging from five to eight years. Not all types of annuities are available at all insurance companies or through us.

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Benefits and features of a variable annuity

A. Investment Options

During the savings phase, a variable annuity offers a range of fixed and variable subaccounts with different objectives and investment strategies. The value of a variable annuity will vary depending upon the performance of the investment options you choose.

Variable subaccounts: Variable subaccounts include actively managed portfolios, exchange-traded funds (ETFs), indexed or indexed-linked portfolios, alternative investments, and other quantitative-driven strategies. The subaccounts typically invest in various asset classes that may include stocks, bonds, derivatives, commodities, money market instruments, or other investments. Although the subaccounts within a variable annuity are similar in many respects to mutual funds, fees and expenses may differ. Like mutual funds, you bear all the investment risk for amounts allocated to the variable subaccounts.

Tax-free transfers: You may transfer your money from one subaccount to another—or to a fixed account subaccount—within a variable annuity without paying current taxes on any earnings. If market conditions change, you may reallocate money among the investment options without worrying about current taxes. Transfers are subject to limitations and restrictions imposed by the insurance company and are detailed in the prospectus.

Fixed investments: Fixed subaccounts offer a fixed rate of return that is guaranteed by the insurance company for a period of one or more years (i.e., the "guarantee period"). If you withdraw or transfer from a fixed subaccount during the guarantee period, a market value adjustment (or "MVA") may apply. MVAs will result in an amount added to or subtracted from the contract value based on the changes in interest rates since the beginning of the guarantee period. In general, if interest rates have decreased, the MVA will be positive and increase the investment value. And, if interest rates have increased, the MVA will be negative and the investment value will decrease.

In a low interest rate environment, the performance of interest rate-sensitive subaccounts, e.g., money market funds, may not be sufficient to cover contract fees and/or subaccount expenses, which could lead to negative returns for your variable annuity.

Asset allocation/balanced portfolio: While investment in certain asset allocation or balanced portfolios can mitigate losses during declining market conditions, they may also reduce potential gains during rising market conditions. Asset allocation/balanced portfolio investments may be required by an insurance company to obtain to certain living or death benefit guarantees and may provide very different potential risk/reward characteristics. These investments may manage volatility to mitigate the insurance company's guarantee obligations by potentially reducing investment returns that you might have received during favorable market conditions.

Diversification and asset allocation do not assure a profit or protect against a loss in a declining market.

Complex investment strategies: Alternative investment strategies (liquid and illiquid) are available as a variable subaccount or a model asset allocation investment in certain traditional and nontraditional variable annuities (IOVAs). Alternative investment strategies are speculative, involve a high degree of risk to loss in principal, typically have higher fees than other investments, and may engage in the use of leverage, short sales, and derivatives. These may increase the risk of investment loss. Alternative investment strategies include derivative exposure that may not perform as intended, can significantly increase each portfolio's exposure to the existing risks of the underlying investments, and may be illiquid and difficult to value. As a result, the portfolio may not realize the anticipated benefits from the derivative it holds or it may realize losses. Alternative investment strategies may create investment leverage, which may increase the volatility and may require liquidation of securities when it may not be advantageous to do so. These investments are designed for investors who understand and are willing to accept these risks. Liquid alternative investment strategies seek alternative-like exposure and may be available as a variable subaccount or model allocation within many variable annuities. These investments include alternative-like exposure and seek investment returns that have lower correlation to traditional markets in an attempt to increase diversification in an overall portfolio.

Unlike traditional hedge funds, subaccounts that seek alternative-like exposure (a) do not require the same investor pre-qualifications, (b) enable efficient tax reporting, (c) are subject to lower investment minimums and lower fees, (d) provide portfolio transparency, (e) offer daily liquidity, and (f) are required to provide daily net asset value (or "NAV") pricing.

Because of Investment Company Act limitations, subaccounts that seek alternative-like exposure must utilize a more limited investment universe and, therefore, will have relatively higher correlation with traditional market returns.

Registered variable investment funds are statutorily limited in their use of leverage, short sales, and the use of derivative instruments. Therefore, they may not provide the same market exposures and opportunities as traditional alternative investment strategies.

Hedge funds typically charge an asset-based fee and a performance fee. Potential benefits to hedge funds include (a) greater flexibility in terms of seeking enhanced returns through the use of leverage, (b) exposure to less liquid investments, and (c) the more flexible use of complex instruments such as derivatives.

As a result of these differences, performance for a variable subaccount that seeks alternative-like exposure and its portfolio characteristics may vary from a traditional hedge fund that is seeking a similar investment objective.

Registered index-linked, market-linked, buffered, or structured variable annuities: Certain annuities referred to as "registered index-linked," "variable indexed," "indexed variable," "buffered," and "structured" variable annuities provide a limited form of downside protection called a "segment buffer." These limited guarantees typically track investment returns associated with the change in the level of one or more published equity or commodity-based indexes, such as the Standard & Poor's 500 Composite Stock Price Index™ ("S&P 500"), which tracks the performance of the 500 large-cap publicly traded securities.

Some of the features unique to market-linked segment buffers include:

- Segment crediting: This is the method (e.g., point-to-point) used to measure the change in the underlying index over an investment term (or time period) that may reset regularly such as every three or every five years. For example, on a one-year term segment, if the underlying index equals 1000 on the date of purchase and equals 1100 on the first anniversary date of purchase, then the change in the index (1100–1000=100) divided by the index value at purchase (1000) equals 10%.

- Performance cap: This is the maximum index-based performance that is credited to the contract upon the investment's segment termination. For example, on a one-year term segment, if there is a 6% cap and the underlying index increased by 10% in a year, the credit to the contract would only be 6%, thereby foregoing 4% on the upside.

- Buffer: This is the maximum indexed-based percentage performance loss that the insurance company will absorb—typically ranging from 10% through 100%, selected by the contract owner. For example, on a one-year term segment, if the product includes a 10% buffer, the insurance company will absorb the first 10% of the index's loss. In this example, the contract's value will decline by any losses in the index beyond 10%. A contract can have a substantial risk of loss if the index falls beyond the buffer or protection level.

- Performance cap threshold: When available, this is a minimum rate specified by the contract owner for a new segment to be equaled or exceeded in order for amounts to be transferred into a new segment. For example, on a one-year term segment, if the product includes a 6% performance cap threshold (set by the contract owner) and a cap of 5%, the investment will be held in a holding account until the cap rate reaches 6% or the threshold is reduced by the contract owner to 5%.

- Participation rate: This is the percentage of the calculated index gain that will be credited to the contract as interest may be reset annually. For example, if the participation rate is 90%, then a 10% change in an index would result in a 9% credit (90% x 10% = 9%).

A performance cap threshold can be an important tool to investment in market-linked segment buffers. Not specifying a threshold risks the possibility that the performance cap established will have a lower cap on returns than you would otherwise find acceptable. You may wish to discuss the appropriate performance cap threshold with your financial professional. When specifying a performance cap threshold, please review the effective date and date of expiration.

Indexed- or market-linked variable annuities include a risk of a substantial loss of principal because you agree to absorb all losses from the portion of any negative index performance rate that exceeds the segment buffer at maturity. Also, a performance cap limits the maximum amount you may receive from indexed gains. You should consider your ability to sustain investment losses during periods of market downturns. A variable annuity with an indexed- or market-linked segment buffer is typically not suitable for individuals seeking principal preservation or who have a short-time horizon. Before buying an indexed- or market-linked variable annuity, request a prospectus from your financial professional and read it carefully. The prospectus contains important information about the risks associated with this type of variable annuity contract. You should compare the benefits and limitations of the variable annuity to other annuities and to other types of market-linked or structured investment vehicles.

Charges associated with indexed- or market-linked variable annuities: Typically, indexed- or market-linked variable annuities do not have upfront sales loads. The insurance company's costs and profits are built into the caps, participation rate, segment buffer, and/or other features of the contract. Your contract may be subject to surrender charges in the first three to 10 years of the contract. You may also be subject to a fair value ("Segment Interim Value") calculation if an early withdrawal, reallocation, or termination is requested while invested in an indexed- or market-linked segment. You should discuss these charges with your financial professional prior to withdrawing, reallocation, or terminating investments in an indexed- or marker-linked variable annuity.

B. Tax-Deferred Earnings

Earnings from a variable annuity grow on a tax-deferred basis. This means that income taxes that would have been paid on interest,

dividends, or capital appreciation are deferred until you make a withdrawal from the variable annuity contract. Therefore, investments may grow faster in a variable annuity than in a taxable investment vehicle with a similar rate of return because money that would have been used to pay taxes on earnings remains invested and continues to grow and compound. It is important to note, however, that when you withdraw your money from a variable annuity, you will be taxed on the earnings at ordinary income tax rates rather than the lower tax rates applicable to capital gains. And, if you take the withdrawal before you attain age 59½, you may be subject to an additional 10% federal tax penalty. The benefits of tax deferral may outweigh the costs of a variable annuity only if you hold it as a long-term investment to meet retirement or other long-range goals.

C. Death Benefit

Variable annuity contracts allow for the payment of the current contract value to your named beneficiary (or multiple named beneficiaries) upon your death. Typically, contracts (exclusive of IOVAs) may also include, as a standard death benefit, the greater of a return of premium less any withdrawals or the current contract value.

Some contracts also offer "enhanced" death benefits for an additional charge. For example, one enhanced death benefit includes the allowance to periodically "lock in" your investment performance. Another enhanced death benefit may guarantee a minimum rate of return on the value of your account. The earnings-enhanced death benefit feature entitles the named beneficiary to a death benefit that is increased by an amount— typically 25% to 40% of the earnings in the contract—that can be used to help offset taxes that may be due when the death benefit is paid. The cost for these optional death benefits typically ranges from 0.20% to 1.50% annually.

Typically, when the owner (or annuitant, as specified in the prospectus or contract) of the variable annuity dies, the beneficiary is taxed on all appreciation when the death benefit is received. This is different from investments held in a taxable account that may receive a stepped-up cost basis (i.e., the value of the account at the owner's death including all appreciation).

There are some additional considerations you should be aware of regarding variable annuity death benefits:

- Death benefits may terminate once you elect an income option and enter the payout phase of the contract.
- Depending on the contract, death benefits may be payable upon the death of the owner, the annuitant, or either.
- Withdrawals during the savings phase will reduce the death benefit.
- Contracts that include a return of account value death benefit as the sole death benefit option should only be purchased for their additional features such as optional living benefit, access to a certain unique investment strategy, or the benefits of tax deferral on non-tax-qualified contracts and should not be purchased solely for death benefit protection.
- Most optional death benefits must be elected when the contract is issued and cannot be canceled.
- In a non-tax-qualified variable annuity earnings distributed as death benefits are taxed as ordinary income when received by the named beneficiary.

We do not receive any additional compensation when you select an optional death benefit on your variable annuity.

D. Living Benefit Options

Annuities are characterized by their ability to provide retirement income that cannot be outlived during the payout phase. Many variable annuity products offer, on an optional basis, "living benefits" that provide principal and/or income guarantees to help protect your retirement income from declining markets during the savings phase (i.e., insurance for your purchase payments).

There are three basic types of living benefits, each with a distinct objective. The actual guarantees and corresponding fees vary by

contract. Living benefits are available for an additional cost. Minimum holding periods and investment restrictions may apply. Deviations from these limitations may result in material reduction or termination of the benefit. As with any optional benefit, it is important to weigh the costs against the benefit when adding such riders to your contract.

The cost for optional living benefits typically ranges from 0.30% to 2% annually. The costs (or fees) may be identified as static or dynamic. Dynamic fees may go up or down, with the range bound by contractual limitations, and in certain instances are tied to a specific benchmark (e.g., VIXX or U.S. 10-Year Treasury). Review the prospectus to ensure all fees, ranges, caps, and frequency of fee alterations are completely understood prior to investing.

We do not receive any additional compensation when you select an optional living benefit on your variable annuity.

Living Benefit Options	**Benefit Description**	**Additional Considerations**
Guaranteed Minimum Accumulation Benefit (GMAB)	Typically, this benefit guarantees the return of your purchase payments or a higher stepped-up value at the end of a waiting period, typically 10 years from issue or last step-up, regardless of your investment performance. If your contract value is below the guaranteed amount at the end of the waiting period, the insurance company will increase your contract value to equal the guaranteed amount (adjusted by any withdrawals).	At the end of the waiting period, the benefit may be renewed for another waiting period, depending on the terms of the contract. If the benefit is not renewed, your purchase payments will become subject to market risk and may lose value. Additionally, some contracts require that all of your assets be allocated in specified investment options during the waiting period, and deviation from these investment options may result in material reduction or termination of this benefit.
Guaranteed Minimum Income Benefit (GMIB)	Typically, this benefit guarantees a lifetime income stream when you annuitize the GMIB amount (after a 7- to 10-year waiting period), regardless of your investment performance. The GMIB amount is typically based on the greater of your current contract value, your purchase payments (adjusted pro rata or dollar-for-dollar by any withdrawals) compounded annually at a rate of 3% to 8% (often referred to as the roll-up value), or it may equal the greater of the contract's highest anniversary value or the roll-up value (roll-up/anniversary value may be adjusted pro rata or dollar-for-dollar by withdrawals). The GMIB amount must be annuitized. It is not available as a lump-sum payment.	The income stream is often limited to payments for life with a minimum number of payments guaranteed. The GMIB income stream is determined by applying the GMIB payout rates to the GMIB amount, although you may receive a higher income stream by annuitizing under the regular provisions of your contract. In this case, the GMIB provides no additional benefit. Additionally, some contracts require that all of your assets be allocated in specified investment options during the waiting period and deviation from these investment options may result in material reduction or termination of this benefit.

Guaranteed Minimum Withdrawal Benefit (GMWB)/ Guaranteed Lifetime Withdrawal Benefit (GLWB)	Typically, these benefits guarantee a return of your purchase payments over a specified number of years or over the lifetime of an individual or an individual and spouse through a series of annual withdrawals. Certain benefits may provide for a higher stepped-up benefit base via a 3% to 10% annual roll-up of your benefit base and/or an annual reset based on positive market performance.	During the withdrawal period, withdrawals in excess of the benefit withdrawal limit (3% to 7.5%) may negatively affect the guarantee. Additionally, some contracts require that all of your assets be allocated in specified investment options, and deviation from these investment options may result in material reduction or termination of this benefit. Typically, there is no waiting period to begin withdrawals, but liquidity limitations based on current age or before age 59½ may apply. Withdrawals not taken typically do not accumulate or carry over to the next year

E. Lifetime Income (Annuitization)

Variable annuities offer several income options for receiving payments, including the option to receive payments for the rest of your life (or your life and the life of your spouse or any other person you designate). This feature, known as annuitization, offers protection against the possibility that you will outlive your assets. Typically, you cannot change the income option once variable annuity payments begin. Once a contract has been annuitized—whether the decision has been made to annuitize or it has been done through forced annuitization—the contract owner surrenders control of the contract to the insurance company.

Other Features, Benefits, and Considerations

Withdrawals

Variable annuity contracts typically offer the right to withdraw up to 10% of the contract value annually without incurring a surrender charge. However, withdrawals of earnings from a nonqualified variable annuity are subject to applicable income tax and, if they are taken before you attain age 59½, a 10% tax penalty may also apply.

As noted above, withdrawals reduce your contract value, death benefit, and living benefit guarantees. Depending on the variable annuity contract, a withdrawal will typically reduce the death and living benefit's base on a dollar-for-dollar or pro rata basis (or the greater of the two). A pro rata reduction means that the withdrawal will reduce the benefit base by the proportion that the withdrawal reduces the contract value. If at the time of withdrawal, the contract value is less than the benefit amount, a pro rata reduction will reduce the benefit base by an amount greater than the withdrawal. For example, if the contract value is $200,000 and the death benefit is $300,000, a withdrawal of 50% of the contract value (or $100,000) will reduce the death benefit by 50% (or $150,000), not merely by the amount of the withdrawal.

When calculating a withdrawal, you should take note of the minimum contract value required to maintain a contract as active. This calculation should include an analysis of the impact of fees and negative fund performance to a contract's value as these factors may cause the insurance company to liquidate the contract and terminate existing benefits ("forced liquidation"). Please read the prospectus carefully for more information pertaining to contract withdrawals.

Probate

By simply naming a beneficiary, the assets of your variable annuity are transferred directly to your beneficiaries, bypassing probate.

Dollar-cost averaging

Dollar-cost averaging allows you to systematically invest equal amounts into the same subaccounts at regular intervals over a set period of time. Many variable annuities offer you the option of automatic dollar-cost averaging by using a liquid subaccount or fixed account option to hold money and then periodically/systematically invest it into the available subaccounts of your choice. For dollar-cost averaging programs that require an initial investment in the fixed account, the annual effective yield on the fixed account is paid on a declining base (i.e., as money is moved from the fixed account to the variable subaccounts there is less money in the fixed account earning the fixed interest rate).

Before beginning a dollar-cost averaging program, you should consider your ability to continue purchases through periods of fluctuating price levels.

Automatic rebalancing

Due to changing market conditions over time, the investment allocation within your variable annuity may change. Most variable annuities offer—and some require—programs that automatically rebalance your portfolio back to your original desired allocation. You can select the frequency for rebalancing your portfolio when you set up the program (e.g., quarterly, annually, etc.).

Dollar-cost averaging and automatic rebalancing do not assure a profit or protect against a loss.

Tax considerations

The tax rules that apply to variable annuities can be complicated. Before investing, you should consult a tax advisor about the tax consequences of investing in a variable annuity.

Annuities in tax-advantaged (qualified) retirement plans

As noted, tax-deferred growth is a key advantage of investing in a variable annuity. It is important to remember that if you are investing in a variable annuity through a tax-advantaged (qualified) retirement plan (e.g., IRA, SEP, Keogh, etc.), you will get no additional tax advantage from the variable annuity because the retirement plan itself is already tax-deferred. You should only consider buying a variable annuity in a retirement plan if it makes sense because of the variable annuity's other unique features, such as guaranteed lifetime income payments, access to a unique investment option, or guaranteed living and/or death benefit protection.

If you are concerned about market risk, the risk of outliving your income, or the impact on your named beneficiaries if you die during a down market, then you might consider buying a variable annuity in a retirement plan. Variable annuities may provide financial guarantees during your retirement plan accumulation or distribution phases. Variable annuities can be converted into a guaranteed lifetime income stream, or the value of your investment can be protected with a death benefit guarantee. The terms of variable annuities differ and not all variable annuities offer all of the benefits described here. Similar to all other types of investments within a tax-qualified retirement plan, variable annuities in a tax-qualified retirement plan are subject to required minimum distributions, which typically require distributions to begin upon attainment of age 70½.

The tax treatment of tax-qualified annuities is based on the tax rules that apply to the tax-advantaged retirement plan in which an annuity is purchased and may differ from the tax treatment of non-tax-qualified annuities. Similar to distributions of earnings from non-tax-qualified annuities, distributions of taxable amounts from tax-advantaged retirement plans are typically subject to ordinary income tax and, if made before age 59 ½, may be subject to a 10% tax penalty. However, unlike distributions from non-tax qualified annuities where the taxable amount typically consists of the annuities tax-deferred earnings, the taxable portion of distributions from tax-advantaged retirement plans (e.g., IRAs) typically consists of pre-tax contributions and tax-deferred earnings. To the extent there are any after-tax amounts (e.g., after-tax contributions) in a tax-advantage retirement plan, those after-tax amounts are typically recovered pro-rata, meaning each distribution is part taxable and part nontaxable until the after-tax amount is exhausted, at which point all future payments are fully taxable (note, however, in the case of a Roth IRA, the after-tax

amounts are recovered first and the earnings may not be taxable if certain conditions are met). In contrast, although annuitized income payments from a non-tax-qualified annuity are taxed similar to distributions from tax-advantaged retirement plans (i.e., each payment is part taxable and part nontaxable until the after-tax amount is exhausted at which point all future payments are fully taxable), partial withdrawals from a non-tax-qualified annuity are treated as coming from the income first, meaning the taxable portion is paid out first.

IRS contribution limits

A variable annuity purchased outside of a tax-advantaged retirement plan with after-tax dollars (a "non-tax-qualified variable annuity") offers distinct advantages over tax-advantaged retirement plans (e.g., 401(k), 403(b), IRA, SEP, Keogh, etc.) because there is no IRS-imposed limit on the amount that can be contributed to the variable annuity (although insurance companies may suspend or impose contribution limitations). While it is advisable to make the maximum allowable contributions to your tax-advantaged retirement plan(s) first, it may be appropriate to invest any additional assets earmarked for retirement into a non-tax-qualified variable annuity.

Tax reporting

Some things you should be aware of when it comes to annuities and tax reporting:

- There are no required annual IRS forms that need to be filed for non-tax-qualified annuities owned by an individual.
- Once you begin to take withdrawals from the variable annuity, they will be reported on IRS Form 1099-R.
- IRAs that hold annuities as investments need to report the December 31st value to the IRS annually in order to satisfy fair market value reporting requirements and to calculate the required minimum distribution (RMD) once you attain age 70½.
- Non-natural ownership of a non-tax-qualified variable annuity—such as by a trust—may result in the loss of tax deferral and cause the contract's internal growth to be subject to current income taxation, unless certain exceptions are met. Before a non-natural person acquires a non-tax-qualified annuity, you should consult with and rely on your own legal and tax advisors to discuss the potential tax consequences of such.

Annuity Replacement - 1035 Exchanges

Section 1035 of the Internal Revenue Code allows for the direct exchange of a non-qualified variable annuity for another non-qualified variable annuity without tax consequences.

A 1035 exchange may be appropriate if your contract is older and does not provide features offered in newer products such as more flexible or enhanced death benefits, living benefits, or a wider choice of investment options.

While a 1035 exchange is a tax-free event, other charges—such as surrender charges—may be incurred, or a new surrender charge period may be imposed. If you are considering a 1035 exchange, you should discuss it with your financial professional. You should consult with your tax advisor to make sure the exchange is tax-free, to understand the charges that might be incurred, and to determine whether the benefits of the new non-qualified variable annuity outweigh the costs of surrendering the old one.

Spousal continuation

Some variable annuities offer your spouse the opportunity to continue the contract in the event of your death. The spousal continuation feature may allow your spouse to continue the contract at the greater of the contract value or the death benefit amount. This has the advantage of locking in the higher death benefit and, at the same time, delaying a taxable event for the new beneficiary.

How we and your financial professional are compensated when you buy a variable annuity

We offer a wide selection of variable annuities from approved insurance companies (or providers) for you to choose from. We review and evaluate each insurance company, whose products we offer, based upon various factors including, but not limited to:

- Quality and competitiveness of the products offered,
- Financial strength of the insurance company,
- Systems' compatibility and ability to provide technological support for the sale and servicing of variable annuity contract,
- Ability and commitment to support our financial professionals through training, education and sales literature, and
- Level of interest and demand among clients and financial professionals.

Evaluating insurance companies in this manner allows us to focus our marketing and sales support resources on the companies of greatest interest to—and that offer the most competitive and suitable products for—you and your financial professional. Our financial professionals are not permitted to recommend variable annuity products from insurance companies that have not been reviewed, evaluated, and approved.

Commissions and service fees

Each time a variable annuity is purchased through one of our financial professionals, the insurance company pays us compensation in the form of a commission (or "upfront commission"). The commission amount is based upon the commission option elected, the product selected, and the amount invested in the variable annuity. A portion of the commission we receive is, in turn, paid to the financial professional. Commissions typically range from 0.50% to 7.00% of monies invested in a variable annuity contract.

Insurance companies also pay us an annual amount or trail for ongoing variable annuity contract servicing and administration ranging from 0.25% to 1.00% of the value of the contract until it is surrendered or annuitized. We share a portion of these trails with your financial professional.

Upfront and trail commission payments are paid out of the insurance company's assets and are derived from the product fees and expenses described in the prospectus.

We do not receive any additional compensation when you select an optional living or death benefit on your variable annuity.

Investment advisory/wrap fee account annuities

The insurance company does not pay us any compensation when a variable annuity is purchased in an investment advisory/wrap fee account. When an annuity is purchased in an investment advisory account, we are compensated by the annual investment advisory account wrap fee that is charged to the advisory account. This annual wrap fee is established at the opening of an account and may be modified from time to time in accordance with the terms of your agreement with us.

Revenue sharing

For certain variable annuity products that are offered, we receive a revenue sharing payment from the insurance company. Insurance companies currently pay fees based on customer assets (up to 0.15% annually), based on sales of such products (up to 0.35% annually ($35 per $10,000)) or based on a formula that is a combination of a fixed fee, customers assets, and/or product sales, calculated quarterly, based upon the aggregate value of variable annuity assets—including assets invested in fixed-rate subaccounts within variable annuities—invested in contracts for which we are designated as the broker-dealer or agent of record. For certain legacy contracts, this rate may be subject to volume discounting (i.e., as the amount of assets increases, the percentage payment for those assets decreases). On fixed annuities we receive payment of up to 0.50% annually on sales or up to 0.25% annually on customer assets. Revenue sharing payments and are paid out of the insurance company's revenues or profits and not from a client's contract value or the assets invested in the subaccounts. It is important to note that our financial professionals receive no additional compensation as a result of these revenue sharing payments.

Before you decide to buy a variable annuity

You should consider the following before you decide to buy a variable annuity:

Investment goals

- Will you use the variable annuity to save for retirement or a similar long-term goal?
- Are you purchasing the variable annuity in a retirement plan or IRA? If so, remember that you will not receive any additional tax-deferral benefit from the variable annuity.
- Do you intend to remain invested in the variable annuity long enough to avoid paying any surrender charges?
- Do you intend to remain invested in the variable annuity long enough to benefit from any optional living benefit riders if you have to withdraw money?
- Are you willing to take the risk that your account value may decrease if the underlying subaccounts perform poorly?
- Have you consulted with a tax advisor and considered all of the tax consequences associated with purchasing a variable annuity, including the effect of variable annuity payouts on your tax status in retirement?

Costs and benefits

- Do you understand the features of the variable annuity?
- Do you understand all of the fees and expenses that the insurance company charges for the variable annuity?
- Do you understand the various ways in which we and your financial professional are compensated when you purchase a variable annuity?
- If you are exchanging one variable annuity for another, do the benefits of the exchange provide a substantial financial benefit that outweighs the costs? Be sure to consider any surrender charges that need to be paid on the old annuity and the impact on your liquidity resulting from the surrender charge schedule on the new annuity.
- Is your investment time horizon and preference for access to your money consistent with the pricing option that you selected?

Senior suitability

In recent years, regulators have expressed concern about variable annuity sales to seniors. There are a number of key points of interest you should consider in advance of investing. These include:

- Your investment risk tolerance,
- Your liquidity and potential long-term care needs,
- Your life expectancy in contrast with the variable annuity's holding period,
- The variable annuity's fees and charges,
- Tax consequences, and
- Your ability to understand all of the features, benefits and costs associated with the variable annuity.

For more information

Before purchasing a variable annuity, you should learn as much as possible about how a variable annuity works, the benefits it can provide, and the fees and charges you will pay. For more information, contact your financial professional or visit the following websites:

- American Council of Life Insurers at www.acli.com
- Securities and Exchange Commission at www.sec.gov
- Financial Industry Regulatory Authority at www.finra.org—see these FINRA Investor Alerts for additional information: "Variable Annuities: Beyond the Hard Sell" and "Should You Exchange Your Variable Annuity?"
- Insured Retirement Institute at www.irionline.org
- North American Securities Administrators Association at www.nasaa.org

Fixed Annuities

A fixed annuity is a contract issued by an insurance company that pays a specific rate of interest for a predetermined period of time, subject to the insurance company's conditions and ability to meet obligations.

You do not pay a front-end sales charge or annul operating expenses when you purchase a

fixed annuity, but you may pay a contingent deferred sales charge ("CDSC") to the insurance company if you liquidate the contract before the end of a certain period of time. The percentage amount of the CDSC usually declines over time. The insurance company considers all its costs, including commissions, when determining the interest rate and CDSC. If you choose to renew your fixed annuity contract, you typically renew the CDSC schedule as well.

If you liquidate your fixed annuity before the age of 59 1/2, some or all of the surrendered value may be subject to a 10% tax penalty. Consult your tax advisor for further details. Also, you may pay a market-value adjustment (MVA) if interest rates have risen and you request a surrender before the end of a certain period of time. There may also be an additional ongoing expense to add an optional benefit to the contract, such as an income rider.

With a fixed annuity, the insurance company guarantees both the rate of return (the interest rate) and the payout to you. The insurance company agrees to pay you no less than a specified rate of interest during the time that your account is growing. Although the word "fixed" might suggest otherwise, the interest rate on a fixed annuity *can* change over time. The contract will explain whether, how, and when this can happen. Often the interest rate is fixed for a number of years and then changes periodically based on current interest rates.

While you are accumulating assets in a deferred fixed annuity, your investment grows tax deferred.

With an immediate fixed annuity, or when you "annuitize" your deferred annuity, you receive a pre-determined fixed amount of money, usually on a monthly basis (similar to a pension). These payments may last for a specified period, such as 25 years, or an unspecified period such as your lifetime or the lifetime of you and your spouse.

The predictability of a fixed annuity makes it an option if you want a guaranteed income stream to supplement your other investment and retirement income.

Things to Consider

While a fixed annuity can remove market risk from your returns, there are other risks to consider when deciding if a fixed annuity is for you.

- An annuity's "guarantee" is only as strong as the insurance company that issues the annuity. There may be state guarantees in the event of an insurance company's failure, but annuities are not guaranteed by the FDIC, SIPC, or any other federal agency if the insurance company that issues the contract fails.
- Payments in a fixed annuity typically do not have cost-of-living adjustments (COLA) to keep pace with inflation, so the value of the money you receive in your payments may decline over time. Annuities with inflation protection can be purchased but the cost, in general, is significantly higher.
- If there are changes to your fixed annuity and you want to withdraw your money early, you could incur surrender charges that cut into your returns.

How we and your financial professional are compensated when you purchase a fixed annuity

The insurance company pays us a commission at the time you pay your premium and, for some contracts, at the time of any subsequent renewal. The commission is not deducted from your initial premium or renewal amount. The insurance company considers all its costs, including commissions, when determining the interest rate you earn on your premium. Commissions range from 0.15% to 6.00% of first-year commissionable premiums. We may also receive a trail payment in the range of 0.15% to 1.00% of renewal amounts, if any. The amount of commission varies depending on the issuer, coverage (age of client and length), and the premium amount.

Your financial professional receives a percentage of the commissions the insurance company pays to us.

Fixed annuity regulation

Fixed annuities are regulated by state law. If you have questions about a particular product, contact your state insurance commissioner.

Resources

The following resources provide additional information about fixed annuities, their risks and benefits, and whether this type of investment is the right choice for you:

- National Association of Insurance Commissioners:
  - 10 Things You Should Know About Buying Fixed Deferred Annuities
  - Consumer Alert—Tools for Retirement: Is an Annuity Right for You?
- Insured Retirement Institute: Annuities Regulation and Industry Information
- SEC: Annuities – https://www.investor.gov/introduction-investing/investing-basics/investment-products/insurance-products/annuities.

Indexed Annuities

What is an Indexed Annuity?

Indexed annuities, also known as "equity-indexed annuities" or "fixed-indexed annuities," are financial instruments that have characteristics of both fixed and variable annuities. Indexed annuities offer a minimum guaranteed interest rate combined with an interest rate linked to a market index, hence the name.

Many indexed annuities are based on broad, well-known indices such as the S&P 500 Composite Stock Price Index. But some use other indices, including those that represent other segments of the market. Some indexed annuities allow you to select one or more indices. Because of the guaranteed interest rate, indexed annuities give you more risk (but more potential return) than a fixed annuity, but less risk (and less potential return) than a variable annuity.

As with variable and fixed annuities, indexed annuities have two phases – the accumulation (savings) phase and the annuity (payout) phase. During the accumulation phase, you make either a lump sum payment or a series of payments to the insurance company. You can allocate these payments to one or more indexed investment options. The insurance company credits your account with a return that is based on the indexed investment option's return. During the annuity phase, the insurance company makes periodic payments to you. Or, you can choose to receive your contract value in one lump sum.

How does an indexed annuity work?

The amount of money (contract value) in an indexed annuity is based on positive or negative changes to a market index. This return is calculated over the course of a specified period of time. These time periods are typically twelve months long, but can vary.

An indexed annuity contract describes both how the amount of return is calculated and what indexing method is used. Based on the contract terms and features, an insurance company may credit your indexed annuity with a lower return than the actual index's gain. If the annuity exposes your investment to some risk of loss, you could lose more money in your indexed annuity when the linked index goes down than the index loses.

Indexed annuities can be quite complex. One of the most important features of an indexed annuity is the method used to calculate the gain in the index to which the annuity is linked. There are several indexing methods firms use to calculate gains. The method used for your annuity matters because it will impact the calculation of the amount of interest to be credited to the contract based on the change in the index.

Because of the variety and complexity of the methods used to credit interest, it is difficult to compare one indexed annuity to another.

How is the return calculated?

Gains. An indexed annuity typically promises to provide a return linked to the performance of an index. If the index has a gain, the contract value

of your indexed annuity will increase. But your indexed annuity may be credited with a return that is lower than the index's return because:

- Dividends are usually excluded. Any gains in the value of the index are typically calculated without including dividends paid on the securities that make up the index. For example, a specific market index reports a total return of 7% one year, but 2.5% of those returns are from dividends. Many indexed annuities would consider 4.5% to be the index's return when calculating any gains to your indexed annuity (7% - 2.5% = 4.5%).

- Only a portion of the performance of the index is usually included. Indexed annuities typically use one or more features that restrict the positive return that is applied to your annuity contract value. Some common restrictions include:

    - Participation Rate. The participation rate determines how much of the gain in the index will be credited to your annuity. For example, if the participation rate is 75% and the index return is calculated to be 10% during the measuring period, the return credited to your annuity would be 7.5% (10% x 75% = 7.5%).

    - Rate Cap. The rate cap is a maximum rate of positive return that your contract can earn. For example, if your contract has an upper limit, or cap, of 7% and the index return is calculated to be 12%, only 7% would be credited to your annuity.

    - Margin/Spread/Asset or Administrative Fee. This fee subtracts a set percentage from any gain in the index. It is sometimes called the "margin," "spread," "asset fee," or "administrative fee." In the case of an annuity with a "spread" of 3%, if the index return is calculated to be 9%, the return credited to your annuity would be 6% (9% - 3% = 6%).

  Some indexed annuities combine these features. For example, if an indexed annuity uses both a participation rate of 75% and a "spread" of 3% and the index return is calculated to be 10%, the return credited to your annuity would be 4.5% (10% x 75% = 7.5%; 7.5% - 3% = 4.5%).

Losses. Some indexed annuities specify that you may lose money if the market index goes down in value. If they do, the indexed annuity may offer some limited protection against that risk. Some common protections include:

- Floor. This protection limits your exposure to a set percentage of potential loss. For example, if the floor is 10% and the index decreases by 12%, you would only lose 10% of your annuity contract value, before considering any adjustments imposed by contract terms such as surrender charges.

- Buffer or Shield. This protection offers a set percentage of loss that the insurance company is willing to absorb before deducting value from the indexed annuity. For example, if the shield is 10% and the index decreases 12%, you would only lose 2% of your annuity contract value, before considering any adjustments imposed by contract terms such as surrender charges.

What indexing method does the contract use?

Different indexed annuities use different indexing methods. Indexing methods determine how the change in the variable annuity's return is determined at the end of each time period. This return is then applied to your indexed annuity, as discussed above.

Some common indexing methods include:

- Point-to-point. This method compares the index level at two points in time, such as the beginning and ending dates of the time period.

- Averaging. This method compares an average of the index levels at periodic intervals during the time period to the index level at the beginning of the time period.

Can I lose money buying an indexed annuity?

You can lose money buying an indexed annuity in the following ways:

- Withdrawals during a time period. If you take your money out of your indexed annuity before the end of a time period, not all of the return from that time period may be applied to your annuity. In addition, you may lose some of the principal invested in certain indexed annuities if you withdraw amounts before the end of a time period, depending on the value of the market index at the time of the withdrawal.

- Market value adjustment. Some annuities will impose charge if you prematurely liquidate your indexed annuity. This adjustment could be positive or negative. If interest rates have increased since your purchase, there may be a charge assessed to your account value. If interest rates have decreased since your purchase, your account value may receive a credit. Different insurance companies use different formulas to calculate a market value adjustment, so make sure you understand the market value adjustment provision for the annuity you are purchasing.

- Surrender charge. If you take all or part of your money out during the surrender period, you may have to pay a surrender charge. The surrender period is a set period of time that typically lasts six to ten years, or even longer, after you purchase the annuity. Surrender charges will reduce the value and the return of your investment.

- Tax penalty. Under current tax law, if you take all or part of your money from tax-deferred indexed annuities before you reach the age of 59½, you may have to pay a 10% tax penalty.

- Market index drop. You may lose money in some indexed annuities if the market index goes down.

- Insurance company failure. Many indexed annuities promise to make payments many years into the future. All amounts payable are subject to the ability of the insurance company to pay. Circumstances may arise where the insurance company is unable to pay its obligations.

Before purchasing an indexed annuity, make sure you not only understand each feature, but also how the features work together, because this combination can have a significant impact on your return. You should also understand any fees or expenses that come with a particular product. Ask your financial professional specific questions to determine whether an indexed annuity is right for you.

How we and your financial professional are compensated when you purchase an indexed annuity

The insurance company pays us a commission at the time you pay your premium and, for some contracts, at the time of any subsequent renewal. The commission is not deducted from your initial premium or renewal amount. The insurance company considers all its costs, including commissions, when determining the interest rate you earn on your premium. Commissions range from 1% to 120% of first-year commissionable premiums. We may also receive a trail payment in the range of 1% to 25% of subsequent renewals, if any. The amount of commission varies depending on the issuer, coverage, and the premium amount.

Your financial professional receives a percentage of the commissions the insurance company pays to us.

Regulation

Indexed annuities are regulated by state law. If you have questions about a particular product, contact your state insurance commissioner.

More Information

The following resources provide additional information about indexed annuities, their risks and benefits, and whether this type of investment is the right choice for you.

- FINRA Investor Alert: Equity-Indexed Annuities—A Complex Choice
- Notice to Members 05-50, Member Responsibilities for Supervising Sales of Unregistered Equity-Indexed Annuities
- National Association of Insurance Commissioners' Buyer's Guide to Equity-Indexed Annuities
- Securities and Exchange Commission: Investor Bulletin: Indexed Annuities - https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletin-indexed.

Alternative Investments

Real Estate Investment Trusts (REITs)

What are REITs?

Real estate investment trusts ("REITs") allow individuals to invest in large-scale, income-producing real estate. A REIT is a company that owns and typically operates income-producing real estate or related assets. These may include office buildings, shopping malls, apartments, hotels, resorts, self-storage facilities, warehouses, and mortgages or loans. Unlike other real estate companies, a REIT does not develop real estate properties to resell them. Instead, a REIT buys and develops properties primarily to operate them as part of its own investment portfolio.

Why would you invest in REITs?

REITs provide a way for you to earn a share of the income produced through commercial real estate ownership – without actually having to go out and buy commercial real estate.

What types of REITs are there?

Many REITs are registered with the SEC and are publicly traded on a stock exchange. These are known as publicly traded REITs. Others may be registered with the SEC, but are not publicly traded. These are known as non-traded REITs (also known as non-exchange traded REITs). This is one of the most important distinctions among the various kinds of REITs. Before investing in a REIT, you should understand whether or not it is publicly traded, and how this could affect the benefits and risks to you.

What are the benefits and risks of REITs?

REITs offer a way to include real estate in your investment portfolio. Additionally, some REITs may offer higher dividend yields than some other investments. But there are some risks, especially with non-exchange traded REITs. Because they do not trade on a stock exchange, non-traded REITs involve special risks:

- Lack of liquidity: Non-traded REITs are illiquid investments. They typically cannot be sold readily on the open market. If you need to sell an asset to raise money quickly, you may not be able to do so with shares of a non-traded REIT.

- Share value transparency: While the market price of a publicly traded REIT is readily accessible, it can be difficult to determine the value of a share of a non-traded REIT. Non-traded REITs typically do not provide an estimate of their value per share until 18 months after their offering closes. This may be a number of years after you have made your investment. As a result, for a significant time period you may be unable to assess the value of your non-traded REIT investment and its volatility.

- Distributions may be paid from offering proceeds and borrowings: You may be attracted to non-traded REITs by their relatively high dividend yields compared to those of publicly traded REITs. Unlike publicly traded REITs, however, non-traded REITs may pay distributions in excess of their funds from operations. To do so, they may use offering proceeds and borrowings. This practice, which is typically not used by publicly traded REITs, reduces the value of the

shares and the cash available to the company to purchase additional assets.

- Conflicts of Interest: Non-traded REITs typically have an external manager instead of their own employees. This can lead to potential conflicts of interests with shareholders. For example, the REIT may pay the external manager significant fees based on the amount of property acquisitions and assets under management. These fee incentives may not necessarily align with the interests of shareholders.

How to buy and sell REITs

You can invest in a publicly traded REIT, which is listed on a major stock exchange, by purchasing shares through a broker. You can purchase shares of a non-traded REIT through an Atria broker dealer if it participates in the non-traded REIT's offering. You can also purchase shares in a REIT mutual fund or REIT exchange-traded fund (ETF).

When you purchase the common stock, preferred stock, or debt security of a publicly traded REIT, brokerage commissions and fees apply. We offer certain non-traded REITs that we have approved for sale to our clients from time-to-time. Non-traded REITs typically have a sales commission of between 3% and 6%, which the REIT sponsor pays to us and we share with your financial professional. REIT sponsors typically charge a dealer manager fee of 1.4% to 3%. Sales commissions and upfront offering fees usually total approximately 9% to 10% of a non-traded REIT investment.

Many sponsors of non-traded REITs now offer different share classes commonly named Class A or S, T, and W or I. Class A and S shares are typically offered at the full offering price and pay a one-time full sales commission. Class T shares are offered at a discount (typically 3%) to the Class A price with a reduced sales commission (typically 50% of the full sales commission), but are charged a monthly servicing fee at an annual rate of 0.20% to 1% of the Class T purchase price per share. Class W and I shares are available for investment advisory accounts at a price equal to the Class T offering price less the amount of sales commission and dealer manager fee, but are charged a monthly servicing fee at an annual rate of 0.5% to 1.0% of the Class W or I purchase price per share. Share classes and their fees differ by sponsor. You should consult the prospectus to determine which share class is appropriate and the fees.

Special tax considerations

Most REITS pay out at least 100% of their taxable income to their shareholders. The shareholders of a REIT are responsible for paying taxes on the dividends and any capital gains they receive in connection with their investment in the REIT. Dividends paid by REITs typically are treated as ordinary income and are not entitled to the reduced tax rates on other types of corporate dividends. Consult your tax adviser before investing in REITs.

How we and your financial professional are compensated when you purchase a REIT

We receive a brokerage commission on the purchase of a publicly traded REIT. The sponsor of a non-traded REIT pays us a commission at the time you subscribe, which ranges from 3% to 5% of the per share offering price. The commission is not deducted from your subscription.

Your financial professional receives a percentage of the commissions we are paid.

For certain alternative investments, we receive a marketing allowance fee directly from the investment sponsor, and not as a portion of the upfront commission or trail. These fees can be paid on an annual basis of up to 0.35% of customer assets invested and up to 1.50% of sales in a REIT.

Business Development Companies (BDCs)

What are BDCs?

Business development companies (BDCs) are a special type of pooled investment created under the Investment Company Act of 1940 that are similar to closed-end investment companies that combines attributes of publicly traded companies and closed-end investment vehicles, giving you exposure to private equity- or venture capital-like investments.

BDCs are considered specialty finance companies and primarily make investments in the debt and/or equity of small to mid-size companies predominantly in the U.S. An example of investing in debt would be senior secured debt, subordinated debt, or unsecured debt. An example of investing in equity would be preferred stock or common stock. Some companies may offer two or more BDCs, one BDC for investing in their debt and another BDC for investing in their equity.

BDCs may be classified as regulated investment companies (RIC) for tax purposes, potentially giving you a tax advantage. RICs must distribute 90% of their income to shareholders. BDC may take on leverage up to a 2-to-1 ratio; as a result, this can amplify losses in a poor economic environment. BDCs may be internally or externally managed with the majority of newly formed BDCs being externally managed. BDC managers must offer significant managerial assistance to the companies held in the portfolio.

Potential benefits of BDCs

- Potentially high yield. BDCs typically offer higher dividend yields than other common stocks due to their favorable tax structure.

- Accessibility to private investments. A number of BDCs are listed on national securities exchanges and provide you considerable liquidity. These firms invest in private instruments that are not typically available to retail investors. BDCs allow you to obtain exposure to private equity-like investments without lockups or minimum investments.

Risks of BDCs

- Portfolio and liquidity risk. BDCs hold illiquid investments in non-publicly traded companies. These loans and investments may not be considered investment grade and are often illiquid and not transparent.

- Key personnel risk. A BDC's investment decisions are undertaken by a small team of managers. If part of the team leaves the firm, there may be an adverse effect on the company, including a loss of management expertise to the portfolio companies and financing relationships. The board of directors can also vote to replace the external manager.

- Credit and interest rate risk. These investments can be highly sensitive to fluctuations in interest rates. BDCs borrow money in order to lend to companies at higher rates. They accomplish this by using a variety of fixed-rate and floating-rate loans. Changes in interest rate policy can dramatically affect the margin between borrowing and lending costs and the amount the BDC is able to distribute.

- Diversification risk. BDCs have a concentration of assets held in small to mid-size developing and distressed companies. These companies can have similar attributes in regard to their ability to repay a loan and their ability to weather a prolonged economic downturn. Each BDC is invested in a variety of companies and cannot hold more than 25% of its assets in a single company.

- High management fees. The costs associated with BDCs can be quite high and can be difficult to calculate. BDCs may charge management fees, incentive fees, and other fees associated with servicing loans. These fees may not be clearly disclosed and may detract from the total return.

Common BDC investments

BDCs invest in several different types of non-public securities, which often include tiered investment structures.

- Common stock. Common stock is the bottom tier of corporate equity shares. Common stockholders' earnings on dividends vary and are subordinate to preferred stockholders. In the event of liquidation, common stockholders are last in line for asset distribution.
- Preferred stock. Preferred stock is an upper tier of corporate equity shares that grants stockholders higher claims to dividends and asset distribution.
- Senior secured debt. Senior secured debt is a top-priority debt repayment secured by collateral. If a company is liquidated, senior debt is settled first, and if it's secured debt, collateral assets can be sold to cover the debt.
- Subordinated or unsecured debt. Subordinated debt, such as junior debt, is collected after higher priority debt has been paid. Unsecured debt is not backed by any collateral, which presents a much higher level of risk to you.

Investor considerations

BDCs typically invest in below-investment-grade companies, which means that they may, among other things, experience higher default rates and may be more illiquid and difficult to value compared to investment-grade companies. A BDC's yield and total return potential should be weighed against the level of risk assumed within the portfolio.

An investment in a BDC can involve significant costs. You should consider a BDC's fees as well as liquidity, or the frequency with which you may buy or sell their shares. Public BDCs trade on a national securities exchange and typically provide you with liquidity on a daily basis. Shares of publicly traded BDCs are subject to the daily volatility of the public markets.

A private or non-publicly traded BDC does not trade on a national securities exchange and is designed as a long-term investment, typically providing you with limited liquidity five to seven years following its launch. Private BDCs seek to provide liquidity through a listing on a national securities exchange or through a sale or merger of its portfolio. In addition, the share price of a private BDC is typically based on the value of the fund's investments or net asset value while public BDC shares can trade at a premium or discount to net asset value.

How we and your financial professional are compensated when you invest in a BDC

We receive a brokerage commission on the purchase of a publicly traded BDC. The sponsor of a non-traded REIT pays us a commission at the time you subscribe. The commission is not deducted from your subscription. A typical aggregate sales commission and dealer manager fee, or load, for a BDC is 5%. As a participating broker-dealer we are paid up to 3.85% of the 5% load. In addition, certain BDC sponsors pay us up to 1% of the net asset value (NAV) per share per year until we have received aggregate payments equal to 3% of the aggregate principal amount of shares we sold.

Your financial professional receives a percentage of the commissions we receive.

For certain alternative investments, we receive a marketing allowance fee directly from the investment sponsor, and not as a portion of the upfront commission or trail. These fees can be paid on an annual basis of up to 0.35% of customer assets invested and up to 1.50% of sales in a BDC.

Structured Notes

What are structured notes with principal protection?

The term "structured note with principal protection" refers to a structured product that combines a bond or note with a derivative component—and that offers a full or partial return of principal at maturity. Structured products in general do not represent ownership of any portfolio of assets but rather are promises to pay made by the product issuers. Structured notes with principal protection typically reflect the combination of a zero-coupon bond, which pays no interest until the bond matures, with an option or other derivative product whose payoff is linked to an underlying asset, index, or benchmark. The underlying asset, index, or benchmark can vary widely from commonly cited market benchmarks to foreign equity indices, currencies, commodities, spreads between interest rates, or hybrid baskets of various asset types. These products are designed to return some or all principal at a set maturity date—typically ranging up to 10 years from issuance.

How do these notes protect my investment?

If you hold a structured note with principal protection until maturity, you typically will get back at least some—and perhaps all—of your initial investment, even if the underlying asset, index, or benchmark declines. Protection levels vary. While some products return 100 percent of principal at maturity, others return as little as 10 percent. In some cases, the principal protection does not apply at all unless some contingency is met, sometimes called "contingent protection."

Also, any guarantee that your principal will be protected, whether in whole or in part, is only as good as the financial strength of the company that makes that promise. In other words, the principal guarantee is subject to the creditworthiness of the guarantor, which is typically the securities firm that structures and issues the note. In the event the issuer goes bankrupt, you are considered an unsecured creditor and might recover little, if anything, of your original investment.

How do structured notes with principal protection calculate the return on my investment?

Some structured notes with principal protection make periodic interest payments while others don't. The return on your investment, over and above any principal guarantee and assuming you hold the note to maturity, will depend on a number of factors, including the method the issuer uses to calculate gains (or losses) linked to the performance of the underlying asset, index, or benchmark (the "market-linked" returns), the note's participation rate, and any minimum guaranteed return.

- Market-linked gains (or losses). There can be varying and often complicated methods of calculating a market-linked gain or loss. For example, one product might compare the change in an index at two discrete points in time, such as the beginning and ending dates of the note's term (point-to-point). Another product might look at the index value at various points during the life of the investment, for example at annual anniversaries, and then compare the highest value with the value of the index level at the start of the term (high water mark). Some products base your return on the number of days during the holding period that the underlying index stayed above (or below) a pre-specified level (accrual), or within a range of pre-specified levels (range). And others use complex, conditional formulas that allow you to participate in some or all of the index's gain up to a set level, but significantly limit your return if, at any time during the holding period, the index rises above that level (shark fin).

- Participation rates. A participation rate determines how much of the gain in the underlying asset, index or benchmark will be credited to the note. For example, if the participation rate is 75%, and the asset, index or benchmark increases 10%, then the return credited to your note would be 7.5%.

- Minimum guaranteed returns. If a structured note with principal protection offers a "minimum guaranteed return,"

you should understand how the issuer defines that term. In some instances, the term includes not only the principal guarantee but also a fixed overall investment return. For example, a note with 100% return of principal at maturity and a 2 percent minimum guaranteed return would pay out 102% of your initial investment at maturity, regardless of how the underlying asset, index, or benchmark performed. In other cases, however, an issuer might use the term to refer only to the level of principal protection.

Structured notes with principal protection can have complicated pay-out structures that make it hard to accurately assess their risk and potential for growth. In addition, depending on how a note is structured, the distinct possibility exists that you could tie up your principal for ten years with the possibility of no profit on your initial investment. While your principal might be returned at maturity, that might be all you get back after a lengthy holding period—and, in the meantime, inflation could erode your purchasing power.

Can I get your money when I need it?

Potential lack of liquidity is one of the disadvantages of structured notes with principal protection. Structured notes are long-term investments. Some issuers may allow you to redeem their notes before maturity under certain circumstances, such as expiration of a "lock-up period" (a period of time during which you cannot access your funds), payment of a redemption fee, or both. Other issuers may (but are not obligated to) provide a secondary market for certain notes. However, depending on demand, the notes might trade at significant discounts to their purchase price and might not return the full guaranteed amount. In addition, the value of a note before maturity may be difficult to calculate and can vary depending on a wide array of factors (including prevailing interest rates and the volatility of the underlying asset, index, or benchmark). You may also have to pay a penalty for early redemption.

Structured notes typically have a call risk, which refers to the possibility that the issuer could call or redeem a note before maturity. This typically happens when it is in the issuer's, rather than your, best interest to do so, such as when interest rates fall. While the bond's principal is repaid early, you might be unable to find a similar investment with as attractive a yield.

What are the fees and costs attributable to structured notes with principal protection?

Depending on its terms and the way it is put together, a structured note with principal protection can have imputed costs, which in some cases may be relatively high. These stem from the way a product is "bundled" or "packaged." At issuance, a note has an estimated fair value based on its structure. The issuer typically raises this value by a spread to arrive at the offering price of the product, which captures costs to the issuer associated with the note over its life, such as the cost of hedging, as well as the issuer's profit.

Other costs of investing in structured notes with principal protection include the opportunity cost involved with sacrificing a potentially higher yield to obtain some downside protection. It is also should be noted that the principal protection typically relates to nominal principal and does not offer inflation protection.

How are structured notes taxed?

In most cases, if you invest in a structured note with principal protection, you must pay federal taxes on income earned or interest paid or imputed while you own the product, even before maturity or during any lock-up period and even if you haven't received any cash payments. This can occur if the interest on the product's zero-coupon bond holdings (resulting from the principal guarantee) is considered to be imputed interest for federal income tax purposes. You should read the tax consequences description in the prospectus and consult your tax advisor to know how a particular structured note might be taxed and when you must report any income or loss.

How we and your financial professional are compensated when I buy a structured note

A structured note transaction typically pays us a placement fee or commission of between 1%

and 3% of the principal amount based on the description in the applicable term sheet. We share a portion of the placement fee or commission with your financial professional.

Structured, Indexed, or Market-Linked Certificates of Deposit (SCDs)

What is a structured, indexed or market-linked Certificates of Deposit?

Structured, indexed, or market-linked certificates of deposit ("SCDs") are financial instruments representing a deposit of a specified amount of money for a fixed period of time. Like traditional certificates of deposit ("CDs"), SCDs entitle you to your principal investment, plus possible additional payments. However, unlike traditional CDs, which usually pay interest periodically based on a fixed or floating rate, SCDs typically pay an additional payment at maturity or periodic interest payments based on the performance of an underlying reference or linked asset, such as one or more equity securities, an index, or one or more currency exchange rates. SCDs are customizable and can be tailored to fulfill specific investment objectives. SCDs are designed to be held to maturity.

What are sample terms of an SCD?

Bank X issues a certificate of deposit with a two-year term, a 100% participation rate, and a minimum investment of $1,000. In lieu of a fixed interest rate, Bank X offers to pay an amount equal to the appreciation of the Dow Jones Industrial Average (the "DJIA") over that two-year term. If the DJIA increases by 20% in the two-year time period, Bank X will pay $200 for each $1,000 invested plus the $1,000 in principal, or $1,200 in total. However, if the DJIA declines, Bank X will only pay out at maturity the principal amount.

What are some examples of underlying assets to which SCDs can be linked?

Examples of reference or linked assets include equity indices (such as the DJIA Index or S&P 500 Index), foreign currency exchange rates (such as the BRIC Currency Basket), commodities (such as oil and gas or gold prices), or a combination of any of these.

How do SCDs differ from traditional CDs?

SCDs possess a number of characteristics not typically associated with traditional CDs.

- Unlike traditional CDs, SCDs do not typically pay interest at a fixed or floating rate; instead, they pay an additional payment at maturity or periodic interest payments based on the performance of the underlying reference asset.

- SCDs are customizable. This allows you access to a number of investment strategies, as well as the opportunity to gain upside exposure to a variety of markets.

- SCDs may or may not be interest-bearing, and may offer a wide variety of payment calculations. For example, payments may be calculated using the percentage increase of the reference or linked asset or index based on the starting level (determined on the pricing date) and the ending level (determined before the date of maturity), or may be calculated using the average of the levels of the reference asset, based on a series of observation dates throughout the term of the SCDs. Payments may also be subject to a cap, or ceiling, representing a maximum appreciation in the level of the reference or linked asset or index. Depending on the terms, a SCD may have a participation rate, which represents the exposure of the SCD to movements in the underlying reference or linked asset or index. For example, if you invest in an SCD with a 90% participation rate, you will only receive 90% of the gains in the performance of the reference or linked asset or index.

- SCDs typically are designed for a long-term commitment of at least 3 to 6 years and up to 20 years. Whereas, most traditional CDs typically require you to keep the funds in the account for three months to five years

What are some benefits to you associated with investing in SCDs?

SCDs can be a relatively low-risk alternative to other investment vehicles because they provide "principal protection" for the deposit amount. Regardless of how poorly the underlying reference or linked asset performs, at maturity you will receive the original investment amount (provided that the issuing bank remains solvent). However, it is important to note that this protection feature is only available if the investment is held to maturity. As an added layer of protection, the deposit amounts of SCDs are insured by the Federal Deposit Insurance Corporation ("FDIC"). Currently, the FDIC insures up to $250,000 of your deposits at the relevant bank.

Another benefit of many SCDs is the "estate feature" (otherwise commonly known as a "death put" or "Survivor's Option"). To the extent provided in the terms of a particular SCD, if at any time the depositor of an SCD passes away (or, in some cases, becomes legally incapacitated), the estate or legal representative has the right, but not the obligation, to redeem the SCD for the full deposit amount before the date of maturity, without being subject to any penalty provisions. In the alternative, the estate or representative may choose not to exercise the estate feature and instead hold the SCD to maturity. This term is often offered by an issuing bank as an extra purchase incentive.

How much of your deposit is insured by the FDIC?

FDIC insurance coverage applies to bank products that are classified as "deposits." The FDIC covers up to $250,000 of your deposits with the relevant bank.

Are there any limitations to the FDIC coverage?

The guarantee by the FDIC is limited to the principal invested and any guaranteed interest rate, but does not extend to the amount of any "contingent" interest. For example, in the example outlined above, if the issuing bank were to fail prior to maturity of the SCD, the FDIC insurance would only cover the $1,000 investment, but not the $200 of earnings based on the performance of the DJIA. In addition, if you pay a purchase price for the SCDs that exceeds the par amount of the deposit, for example, paying $1,005 for a $1,000 SCD in the secondary market, the premium you paid would not be covered by FDIC insurance.

You are subject to the direct credit risk of the issuing bank for any dollar amount over the maximum applicable deposit insurance coverage. This would occur, for example, if you hold other deposits with the applicable bank that together exceed $250,000.

Risk Considerations for SCDs

Limitations on Return. A SCD is linked to the performance of a specific underlying or reference asset and is not equivalent to investing directly in that asset. A SCD may not always reflect the actual performance of the underlying or reference asset and has different risks than traditional CDs. For example, a SCD may have features such as a cap, participation rate, or averaging, which could result in the performance of the SCD differing from a direct investment in the underlying index or reference asset. A SCD may not earn any interest and some participate in only a limited amount of the increase of an index (e.g., a cap rate).

- Calculation of Return. The return on a SCD may be calculated by averaging the closing price of the underlying index over a specific period of time, rather than simply using the closing price upon maturity to compute the gain or loss. For example, a SCD may use an average based on the closing price of the S&P 500 every six months during the term of the SCD. While the formula used to calculate return may lessen the impact of a declining market, if the market moves steadily upward during the period that you hold a SCD, your return may be significantly less than the index's gain during this period. The formulas used typically do not take into consideration the dividend yield of the linked or reference index.

- Participation Rates. The participation rate determines how much of an index's increase will be used to compute the payment calculation. For example, if the S&P 500 goes up 10% and a

participation rate is 70%, you will get only 7%.

- Caps. Some SCDs also set a cap on the gain per year regardless of how well the linked or reference index performs. For example, if the S&P 500 goes up 20% and the SCD participation rate is 70% and the cap is 10%, your return will not be 14% (70% of 20%), but will be capped at 10%.

Liquidity Risk. SCDs are designed to be held to maturity, which may be up to 20 years. While most traditional CDs allow for early withdrawal after paying a penalty, most SCDs do not. There is currently no established secondary trading market for SCDs. If you are able to redeem an SCD prior to maturity, you may receive less than the original amount invested due to fluctuations in the underlying asset(s) and other market factors.

Call Risk. A SCD may have a "call" feature giving the bank, not you, the right to close the account early without paying a penalty. The bank is most likely to exercise this option when interest rates fall, which means a callable SCD would limit your ability to lock in an attractive interest rate for a long time. For example, a bank might decide to call for the early redemption of a 10-year SCD after only a year or two if market rates on new CDs have dropped significantly. You would get back your money plus accrued interest, but any earnings might be less than if the SCD had been held to maturity.

Tax Treatment. One of the key components of a SCD is that interest earned may only be accrued (unconditionally added to the account balance) when the SCD matures. However, you may be required to include interest income in your taxable income each year that you receive a Form 1099-INT from the issuing bank, even though you were not paid interest during that year but will be paid the interest at the maturity of the SCD. Paying tax on interest earned but not paid to you is commonly known as "phantom income." You should consult your tax advisor prior to investing.

Depending on the underlying or reference asset to which a SCD is linked, there may be other risks to consider. For information on a particular SCD, you should obtain and read the relevant offering documents for a full discussion of risks and considerations related to the underlying or reference asset(s) of such SCD.

How we and your financial professional are compensated when you buy a SCD

A SCD transaction typically pays us a placement fee or commission of between 1% and 3.5% of the principal amount based on the description in the applicable term sheet. We share a portion of the placement fee or commission with your financial professional.

Corporate, Municipal, and Government-Sponsored (Agency) Bonds and United States Treasury Securities ("U.S. Treasuries")

What is a corporate bond?

A corporate bond is a loan to a corporation. When you buy a bond, the corporation pays interest, usually making a payment twice a year. At a stated date in the future, called the maturity date, the corporation returns your principal if you still hold the bond. The maturity dates on corporate bonds can range from one year to 40 years.

What is a municipal bond?

Municipal bonds are bonds issued by states, cities, counties and other governmental entities to raise money, typically for general governmental needs or special projects.

What is an agency bond?

Agency bonds are bonds issued by government-sponsored enterprises, such as Fannie Mae and the Federal Home Loan Banks, and by wholly owned government corporations such as the Tennessee Valley Authority (TVA). When you buy an agency bond, the issuer pays you interest on the number of bonds you purchase. At a stated date in the future (the maturity date), the issuer returns your principal to you if you still hold the agency bond. The maturity dates typically range from one year to 40 years.

What are U.S. Treasuries?

U.S. Treasuries are debt obligations of the U.S. government. These include bills, notes, bonds, Treasury Inflation-Protected Securities ("TIPS"), and savings bonds. When you buy a U.S. Treasury, you lend money to the federal government for a specified period of time. U.S. Treasury bills are short-term instruments with maturities of no more than one year. U.S. Treasury notes are intermediate- to long-term investments, typically issued in maturities of two, three, five, seven and 10 years. U.S. Treasury bonds cover terms of more than 10 years and are currently issued in 30-year maturities. Interest is paid semiannually.

How we are paid for our services

Newly issued bonds and U.S. Treasuries

We sell newly issued corporate, municipal, and agency bonds and U.S. treasuries at the offering price during the initial public offering period. We receive a selling fee, which is incorporated into the initial offering price. You will see the selling fee displayed as a new issue payment line item in the trade confirmation.

Secondary bonds and U.S. Treasuries

Secondary bond transactions involve previously issued corporate, municipal, or agency bonds or U.S. Treasuries. When you buy or sell a secondary bond or U.S Treasury, we may act as either an agent or a principal. If we act as an agent, your trade confirmation will display the commission you pay, which may be up to 2.75% of the dollar amount you buy and up to 1.00% of the dollar amount you sell.

If you buy a bond or U.S Treasury from us or sell a bond that we purchase directly from you, we act as a principal. You will see the markup or markdown, which is included in the price, displayed as a line item in the trade confirmation. The markup may be up to 2.75% of the dollar amount you buy and the markdown may be up to 1.00% of the dollar amount you sell.

While we act in a principal capacity when buying and selling bonds or U.S Treasuries, we do not carry an inventory of bonds or U.S. Treasuries and arrange the purchase and sale of bonds and U.S. Treasuries through Pershing, LLC, our clearing firm, or another dealer, who also charges a markup or markdown.

How your financial professional is compensated

Your financial professional receives a percentage of any commissions, markups or markdowns for corporate, municipal, or agency bonds or U.S. Treasuries.

Certificates of Deposit ("CDs")

CDs are savings instruments issued by banks and savings and loans. When you buy a CD, you lend the bank or savings and loan a set amount of money, which the institution may use to invest in securities or loans. CDs offer a variety of maturities and interest payment options. For information about FDIC insurance, visit www.FDIC.gov.

How we are paid for our services

When you buy a CD during the initial offering period, we may act as either a principal or an agent. The compensation we receive depends on whether we act as a principal or an agent in the transaction.

When we act as principal we receive a selling concession and it is incorporated into the initial offering price. When we act as agent, you pay a commission for the transaction. You will see the concession or commission amount on your trade confirmation.

Concessions broadly range from $0.05 per $1,000 for short-term non-callable CDs to $20 per $1,000 for 20-year callable CDs

How your financial professional is compensated

Your financial professional receives a percentage of any commissions or charges for CDs.

Insurance

Life insurance products are often a part of an overall financial plan. They come in various forms, including term life, whole life, and universal life policies. There also are variations on these—variable life insurance and variable universal life insurance—which are considered securities and must be registered with the SEC. FINRA has jurisdiction over the investment professionals and firms that sell variable life and variable universal life products.

Insurance products often are developed to meet specific objectives. For example, long-term care insurance is designed to help manage health care expenses as you age. As with other financial products, insurance products can be complex and come with fees, so it pays to do your homework before you buy.

Here are some of the most common types of life insurance:

- **Term Life Insurance.** Term life provides coverage for a specified and limited period, known as the term. Premiums for most term policies tend to go up as you age or at the end of each renewal period. After the term ends, so does the policy and its coverage if it's not renewed.
- **Whole Life Insurance.** Whole life or ordinary life insurance is a type of permanent life insurance. It provides coverage for the life of the insured and can build cash value, which is a savings feature. Premium payments typically remain the same for the life of the insured.
- **Universal Life Insurance.** Universal life provides coverage for the life of the insured and also offers flexible premium payments and insurance coverage. The cost of your insurance protection and in some cases other costs are deducted from the cash or policy account value.
- **Variable Life Insurance.** Variable life is a type of security that offers fixed premiums and a minimum death benefit. Unlike whole life insurance, its cash value is invested in a portfolio of securities. As the policyholder, you can choose the mix of investments from those the policy offers. However, the policy's investment return is not guaranteed and the cash value will fluctuate.
- **Variable Universal Life Insurance.** This type of security combines features of universal life insurance and variable life insurance. It offers flexibility in premium payments and insurance coverage, as well as an investment account.

Another type of insurance is long-term care insurance, which tends to cover what Medicare and most conventional health insurance policies don't: long-term custodial care expenses. It's a risk-management product to help cushion the financial blow of prolonged and expensive elder care or custodial care.

Life Insurance

A life insurance policy is a contract issued by an insurance company to provide funds to address the financial impacts that may result from the death of the insured.

How we are paid for our services

Typically, an insurance company pays us a commission at the time you pay the premium for the policy. The commission may vary depending on the insurance company issuing the policy, the coverage provided by the policy, and the amount of premium paid. The amount of premium you pay depends on the type of policy, the options and level of coverage you select, your age and other factors.

In most cases, the insurance company pays us a commission based on a fixed percentage of your first-year premium. We also receive annual renewal commissions, typically for a period of time. If you choose to pay more than the required premium in order to use your insurance policy to accumulate cash value or to fund your policy in advance, we receive a lower commission on any such excess premium that you pay. If your premium is higher due to poor health or the election of certain optional contract riders, the commission we receive may be based on a target premium. There may also be an additional expense to add an optional benefit to the contract, such as a long-term care or chronic illness rider, that would be reflected in a higher premium amount.

Certain “hybrid” life insurance policies, which also provide long-term care benefits, are often

funded as a single lump sum. In such cases, the commission paid to us is a fixed percentage of the single premium amount.

You may also pay a contingent deferred sales charge (CDSC) to the insurance company if you liquidate, surrender or withdraw all or a portion of your permanent insurance policy (one with a cash value) within a certain time period. We do not receive a commission or share in any CDSC assessed by the insurance company as part of a surrender or liquidation.

How your financial professional is compensated

Your financial professional receives a percentage of the commissions and renewal commissions the insurance company pays to us.

Long-term Care Insurance

A long-term care insurance policy is a contract issued through an insurance company to provide payments to cover nursing home care, assisted living, home health care and/or personal or adult day care for individuals with a chronic or disabling condition that needs constant supervision.

How we are paid for our services

Typically, an insurance company pays us a commission at the time you pay the premium for the policy. The commission may vary depending on the insurance company issuing the policy, the coverage provided and the amount of premium paid. Your premium amount depends on the options and level of coverage you select, your age and other factors.

In most cases, the commission that we receive for long-term care insurance is a fixed percentage of your annual premium. We also receive annual renewal commissions, typically for a period of time. In some states, insurance companies are required to pay an equal amount of commissions for a period of years.

How your financial professional is compensated

Your financial professional receives a percentage of the commissions and renewal commissions the insurance company pays to us.

Disability Income Insurance

What is disability income insurance?

A disability income insurance policy is a contract issued through an insurance company to provide income if a disability prevents the insured from working.

How we are paid for our services

Typically, an insurance company pays us a commission at the time you pay the premium for the policy. The commission may vary depending on the insurance company issuing the policy, the coverage provided, and the amount of premium paid. Your premium amount depends on the options and level of coverage you select, your age and other factors.

In most cases, the commission we receive will be a fixed percentage of your first annual premium. We also receive annual renewal commissions.

How your financial professional is compensated

Your financial professional receives a percentage of the commissions and renewal commissions the insurance company pays to us.